

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2004



Included in the Higher Education Funds of the State of South Carolina

MIDLANDS TECHNICAL COLLEGE

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

A college included in the higher education funds of the state of South Carolina

Statement of Mission

Midlands Technical College is a comprehensive, urban, public, two-year college serving the primary region of Richland, Lexington and Fairfield counties of South Carolina. College programs and services provide accessible, affordable, high-quality post-secondary education that prepares traditional and nontraditional students to enter the job market, allows them to transfer to senior colleges and universities, and assists them in achieving their professional and personal goals. Through its programs and services, the college equitably provides higher education opportunities and supports the economic growth of the community.



*Prepared by
the Finance and Accounting Office*

*Ronald L. Rhames
Vice President for Business Affairs*

*Helen F. Koon
Director of Finance and Accounting*

MIDLANDS TECHNICAL COLLEGE

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

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PRESIDENT'S LETTER

September 10, 2004

To Members of the Midlands Technical College Commission and the Community:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year 2004. The purpose of the report is to provide relevant information concerning the College's operations and financial position. This year's CAFR reflects that, and in spite of significant financial challenges faced by the state, the college continues to provide accessible, affordable, high-quality post-secondary education to the citizens of the Midlands.

The past fiscal year was significant for the College in terms of the support it received from the South Carolina Legislature and the Richland, Lexington and Fairfield County Councils. A milestone event was the successful passage of legislation creating the Midlands Technical College Enterprise Campus Authority. This legislation enables the College to use its northeast property for development through public-private partnerships. The College also received additional state funding to expand its Associate Degree Nursing Program. The College's budget requests to all three counties were funded at 100 percent.



Fiscal year 2004 was also a year of significant public recognition and support for the College. The director of the Allied Dental Education Program, Dr. Martha Hanks, was selected as the South Carolina Governor's Professor of the Year for Two-Year Colleges. The South Carolina Commission on Higher Education recognized Midlands Technical College's service learning project, Village of Hope, as the state's top Community Service Project. The College was the first and only two-year college to achieve a *Substantially Exceeds* rating on the South Carolina Commission on Higher Education Performance Funding criteria. The Midlands Technical College Foundation's capital campaign reached 90 percent of its \$5 million goal with three years remaining in the five-year campaign.

In summary, through prudent management and sound fiscal controls, the college sustained its strong financial position amid numerous economic challenges. Midlands Technical College again received national recognition for financial reporting over the last fiscal year.

Respectfully,

A handwritten signature in black ink that reads "Barry W. Russell". The signature is written in a cursive, flowing style.

Barry W. Russell
President



September 10, 2004

To: Members of the Midlands Technical College
Commission, the President, the Executive Council and
the community served by Midlands Technical College:

We are pleased to present the *Comprehensive Annual Financial Report* of Midlands Technical College (the "College") for the fiscal year ended June 30, 2004. The management of the College is responsible for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the information presented is accurate in all material respects and is comparable to peer institutions. All disclosures have been included that will provide the reader with a reasonable understanding of the College's financial activities in relation to its mission.

INTRODUCTION

Midlands Technical College is part of South Carolina's primary government and is included in the *Comprehensive Annual Financial Report* of the state. The Management's Discussion and Analysis provides a detailed explanation of the changes in financial reporting from the prior year and the resulting effects of those changes, and should be read in conjunction with this letter of transmittal.

This *Comprehensive Annual Financial Report* is organized into four sections:

The **Introductory Section** includes this transmittal letter; the Certificate of Achievement for Excellence in Financial Reporting awarded to the College for the fiscal year ended June 30, 2003, the members of the College's governing board and principal officials and an organizational chart representing the structure of the College.

The **Financial Section** includes the report of our auditors, Scott McElveen, L.L.P., that expresses an unqualified opinion on the basic financial statements. Management's Discussion and Analysis, the basic financial statements of the College and its component unit, the Midlands Technical College Foundation, and accompanying notes are also included in this section. The basic financial statements are prepared in

accordance with generally accepted accounting principles for public colleges and universities, as defined by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the Industry Audit Guide, and the National Association of College and University Business Officers in College and University Business Administration.

The **Federal Awards Section** contains the Schedule of Expenditures of Federal Awards and accompanying notes, reports of compliance and internal controls in accordance with Government Auditing Standards and with OMB Circular A-133, and the Schedule of Findings and Questioned Costs. This section also includes the Independent Accountant's Report on State Lottery Tuition Assistance.

The **Statistical Section** contains selected financial, statistical and demographic information. This information is intended



to present the reader with a broad overview of trends in the financial affairs of the College.

ENTITY

Midlands Technical College is one of 16 Colleges included in the South Carolina Technical College System. The State Board for Technical and Comprehensive Education, a state agency that governs the System. The College is a comprehensive, public two-year institution that serves the Central Midlands region of South Carolina.

Midlands Technical College has four campuses, two in Lexington County and two in Richland County, and a teaching location at Fort Jackson that serves enlisted personnel and civilians. The College also delivers instruction in various businesses, industries and public schools located in its service area and provides opportunities for students to take classes on the web that lead to a degree.

COMPOSITION OF COMMISSION

Midlands Technical College's governing board, the Commission, is appointed by the Governor of South Carolina upon the recommendation of the legislative delegations from Richland and Lexington counties. There are 12 Commissioners, who are appointed for four-year terms. Currently, there are five Commissioners from Lexington County and seven from Richland County. Officers are elected every two years, with the chairmanship alternated between the two counties.

The College's primary service area is legally defined as Richland, Lexington and Fairfield counties. State law mandates Richland and Lexington counties to provide sufficient funding to build, maintain and operate the College's physical plant. The division of financial responsibility is based on population. A population estimate for each county is determined each year for budget request purposes. The current distribution is 60 percent for Richland County and 40 percent for Lexington County.

Fairfield County also provides financial support by funding the difference between the in-county tuition rate and the in-state tuition rate for their residents who attend the College. Fairfield County provided \$92,407 of the College's budget for the current fiscal year.

A separate board of directors governs the Midlands Technical College Education Foundation. The College has implemented GASB Statement No. 39, *Determining whether Certain Organizations are Component Units*, and has included the activity of the Foundation in the College's financial statements for the current year.

ECONOMIC CONDITIONS AND OUTLOOK

Fiscal year 2003 - 2004 perhaps signaled a leveling in the difficult economic times experienced by Midlands Technical College because of declining state support for higher education. The College entered the fiscal year expecting significant budget reductions, but instead experienced only a modest 1 percent reduction in state support. The expected reductions were not realized because state economic activity increased and resulted



in more tax revenue collected. Additionally, financial support for operations from the College's tri-county service area increased by 5 percent, while student revenue increased by approximately 7 percent.

The economic condition of the state is expected to improve for fiscal year 2004 - 2005. State revenue projections are well ahead of the previous year. The state budget adopted for higher education did not include a reduction in financial support and included a modest state-funded pay increase for employees. The economic upturn is expected to benefit local governments that support the College. Consequently, public support for the College should be stable over the next several years.

The College was able to approve the lowest tuition increase in the past four years for the 2005 academic year, since the improvement in the state budget condition. While tuition and the ability to increase tuition in the future will play a vital role in the economic health of the institution, students are now receiving more state support to help offset tuition increases. Over the past four years, state tuition support to students has increased by approximately 650 percent. This significant increase in state tuition support is tantamount to a new funding formula for higher education. That is, state funding is provided to the student versus the traditional method of providing funding directly to the institution.

MAJOR INITIATIVES

During the 2004 legislative process, Midlands Technical College sought and received distinctive and innovative legislation that allows it to enter into private/public partnerships to develop unimproved land owned by the

College. The legislation created the Midlands Technical College Enterprise Campus Authority. While the Authority can impact all undeveloped property owned by the College, it will focus first on the Northeast Campus. The Authority and private partners will work together to create educational and economic development synergies between Midlands Technical College and incubating companies, incubator graduates and mature companies that will co-locate on the Northeast Campus. The synergies will be derived when the College and the companies mutually benefit from the assets of each other.

The Northeast Campus needs several significant additions in order to make the Enterprise Campus a success. First, the College needs to position its engineering programs on the Northeast Campus so that faculty and students are located near incubating companies. To achieve this objective, a state-of-the-art engineering classroom building is required. Second, the College needs to construct a facility designed to accommodate companies that have graduated from university

research incubators. The necessity is a multi-bay facility with the capacity to house several companies/technologies at once. Finally, the College needs to address the infrastructure of the campus. Infrastructure needs include roads and utilities. To achieve this objective, the College will consult the county in which the Northeast Campus is located to provide part of the financial resources, which are estimated at about \$17 million.



FINANCIAL INFORMATION

Internal Control Structure

The management of the College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The system of internal control is designed to ensure that certain organizational objectives are met. Accordingly, organizational structure, policies and procedures have been established to safeguard assets; ensure the reliability of accounting data, promote efficient operations,

and ensure compliance with established governmental laws, regulations and policies, College policies, and other requirements of sponsors to whom Midlands Technical College is accountable. The internal accounting control structure is designed to provide reasonable, not absolute, assurance that these objectives are met.

Budgetary Controls

As part of the College's strategic planning process and annual operational plan, sound planning is employed in preparing the budget. The College maintains appropriate budgetary controls in line-item budgets, budget transfer restrictions and in the use of an encumbrance accounting system. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the governing board. As demonstrated by the financial statements and schedules included in the financial section of this report, College management continues to meet its responsibility for sound fiscal administration.

Debt Administration

Midlands Technical College had \$9,105,000 in Outstanding General Obligation State Institution Bonds at June 30, 2004. These bonds are secured by a pledge on tuition fees imposed by the College. Also outstanding is a note payable for the purchase of computer equipment in the amount of \$65,194.

Cash Management

The College, in accordance with state policies, deposits substantially all of its cash in local bank accounts. Excess cash not required for current operations is invested in U.S. government securities, repurchase agreements or certificates of deposit, the latter of which are collateralized with obligations of the U.S. government. Investment earnings for the fiscal year ending June 30, 2004 totaled \$151,485, net of related investment expense. Interest earnings in the retirement of indebtedness fund totaled \$104,781.

Risk Management

Through insurance contracts purchased by the College from various state agencies, South Carolina, rather than an insurance carrier, assumes substantially all risks associated with:

- claims of state employees for unemployment compensation benefits;
- claims of covered employees for workers' compensation benefits; and
- claims of covered public employees for health insurance, dental insurance and group life insurance benefits (insurance carriers, however, provide claims administration services).

In addition, the state maintains an Insurance Reserve Fund to cover risks associated with:

- real property including public buildings; local public schools and their contents; motor vehicles, school buses and aircraft;



- general tort claims that parties may file against the State or its political subdivisions;
- medical malpractice claims that parties may file against covered hospitals; and
- business interruptions.

The Insurance Reserve Fund purchases insurance coverage for a portion of these risks.

The College maintains commercial insurance for student accident coverage. It is the belief of College management that all coverage is sufficient to preclude significant uninsured losses.

OTHER INFORMATION

Independent Audit

The College is in the first year of a five-year contract with the independent certified public accounting firm of Scott McElveen, L.L.P. to perform the annual audit of the financial statements and federal assistance programs. The Report of Independent Auditors is included in the financial section of this report and reflects an unqualified opinion on the basic financial statements. As a recipient of federal financial awards, the College complies with the requirements of the Single Audit Act, and separate single-audit reports have been issued, which are included in the Federal Awards section.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Midlands Technical College for its *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the eighth consecutive year the College has received this award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized *Comprehensive Annual Financial Report* whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

The timely preparation of the *Comprehensive Annual Financial Report* is a coordinated effort by various units and individuals within the College. We would like to express sincere appreciation to all employees in the Business Affairs unit who contributed to the timely closing of the College's financial records and the preparation of this report and to the Advancement unit for their contributions in design, editing, printing and publication of the document, and for providing statistical data. Our sincere appreciation is also expressed to other individuals who provided information as requested.

Sincerely,

A handwritten signature in black ink that reads "Ronald L. Rhames". The signature is written in a cursive, flowing style.

Dr. Ronald L. Rhames
Vice President for Business Affairs

A handwritten signature in black ink that reads "Helen F. Koon". The signature is written in a cursive, flowing style.

Helen F. Koon
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Midlands Technical College,
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

Midlands Technical College

Organizational Data

COMMISSION MEMBERS AND OFFICERS

Commissioner

Peter E. Sercer, Chairman
 Robert F. Dozier, Jr., Vice Chairman
 Ronald H. Burkett, Treasurer
 James Smith, Secretary
 E. Stewart Blume, Jr.
 Katie M. Bolden
 Harriet G. Fields
 Christopher M. Joye
 Robert C. Lentz
 Judith Litman Lindau
 A. Eugene Rountree
 Robert P. Wilkins, Jr.

County

Lexington
 Richland
 Lexington
 Richland
 Richland
 Richland
 Lexington
 Richland
 Richland
 Lexington
 Lexington

Term Expires

November 16, 2007
 July 31, 2005
 November 16, 2006
 July 31, 2005
 July 31, 2008
 July 31, 2008
 July 31, 2008
 July 31, 2007
 July 31, 2007
 July 31, 2007
 May 11, 2007
 November 16, 2004

COMMISSIONERS



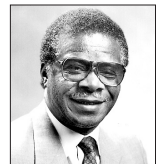
Peter E. Sercer
Chairman



Robert F. Dozier, Jr.
Vice Chairman



Ronald H. Burkett
Treasurer



James Smith
Secretary



E. Stewart Blume, Jr.



Katie M. Bolden



Harriet G. Fields



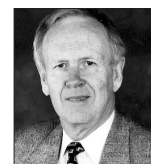
Christopher M. Joye



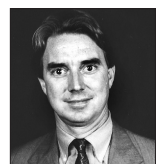
Robert C. Lentz



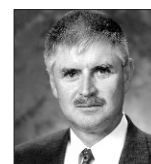
Judith Litman Lindau



A. Eugene Rountree



Robert P. Wilkins, Jr.



Barry W. Russell
Ex-officio
President
Midlands Technical College

EXECUTIVE COUNCIL

Barry W. Russell
 Starnell K. Bates
 Ronald L. Drayton
 Vann H. Gunter

 Gina Mounfield
 Sandra L. Oliver
 Ronald L. Rhames
 Mark D'Amico
 Nancy Pedersen

President
 Vice President for Advancement
 Vice President for Arts and Sciences
 Vice President for Economic Development and
 Continuing Education
 Vice President for Career Programs
 Vice President for Student Development Services
 Vice President for Business Affairs
 Special Assistant to the President
 Executive Assistant to the President

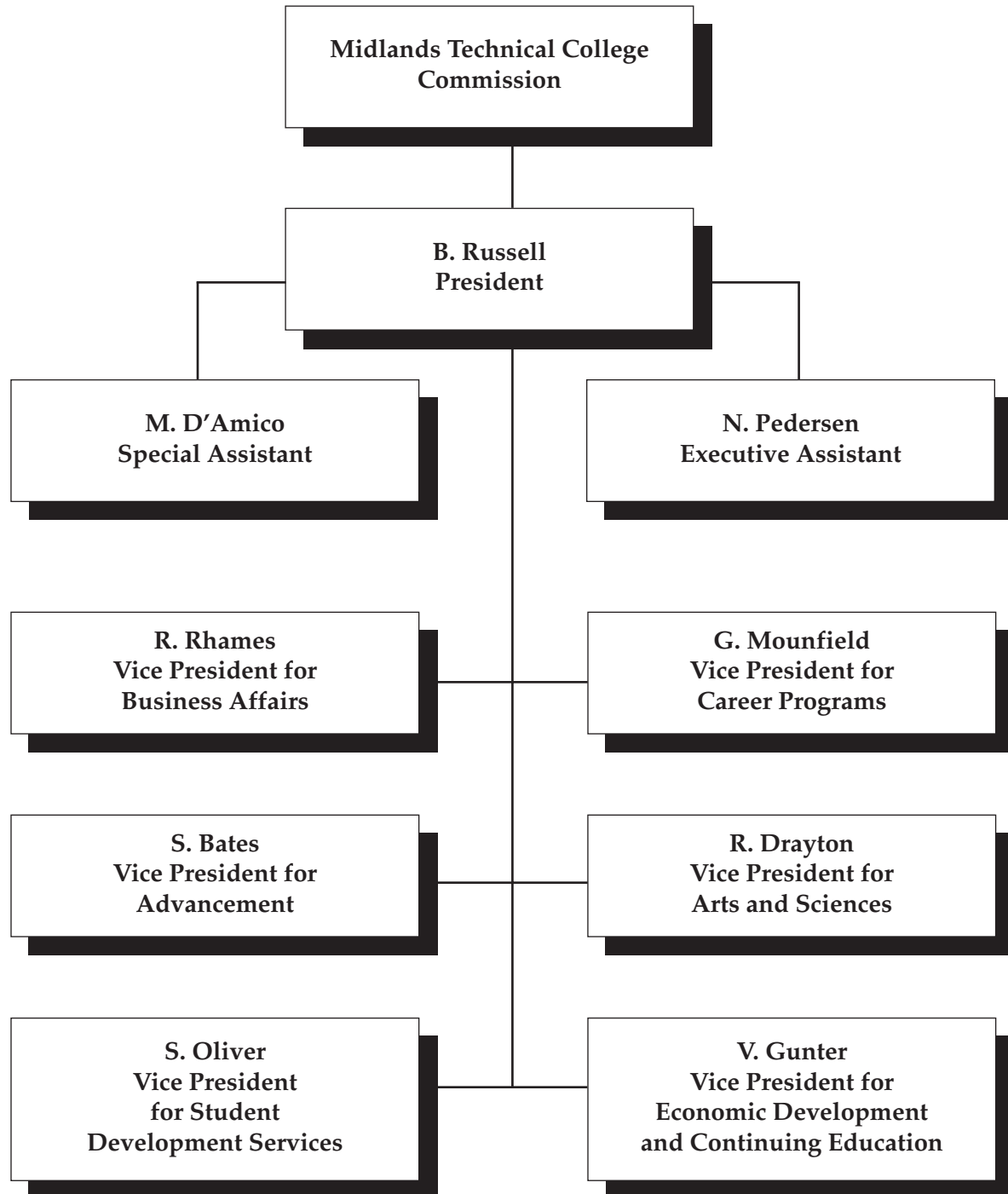
BUSINESS AFFAIRS DIVISION

Ronald L. Rhames
 Stanley Bolton
 Jeanette S. Hayes
 Anthony Hough
 Robert E. Humphreys
 Helen F. Koon
 Marcia Medway
 Sandra Sumpter

Vice President for Business Affairs
 Director of Auxiliary Services
 Director of Budgets
 Director of Information Resource Management
 Director of Plant Operations
 Director of Finance and Accounting
 Director of Support Services
 Director of Human Resource Management

Midlands Technical College

Organizational Chart



Independent Auditors' Report

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

We have audited the accompanying basic financial statements of Midlands Technical College (the "College") and its discretely presented component unit, Midlands Technical College Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midlands Technical College and of its discretely presented component unit, Midlands Technical College Foundation, Inc., as of June 30, 2004, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, certain accounting changes and prior period adjustments relating to the College's capital assets and the Foundation's net assets were made as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, listed in the accompanying table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

CERTIFIED PUBLIC ACCOUNTANTS

Member: AICPA, SCACPA, SEC Practice Section
An Independent Member of the BDO Seidman Alliance

1441 Main Street, Suite 1200	TEL (803) 256-6021
Post Office Box 8388	FAX (803) 256-8346
Columbia, South Carolina 29202	www.scottmcelveen.com

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College. The introductory section and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the College. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Scott McElveen, L.L.P.

Columbia, South Carolina
September 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Midlands Technical College (the "College") Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2004. This discussion should be read in conjunction with the transmittal letter, the College's basic financial statements and the notes to the financial statements.

COMPONENT UNIT

For the first time, the College has included the Midlands Technical College Foundation, Inc. (the "Foundation") in its financial statements in accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Some financial information for this component unit is included in this report. You can obtain complete financial statements for the Foundation by mailing a request to Midlands Technical College Foundation, Post Office Box 2408, Columbia, South Carolina 29202.

USING THIS ANNUAL REPORT

Midlands Technical College is pleased to present its financial statements for fiscal year ended June 30, 2004. Comparative financial statements are not presented in this report; however, condensed data is presented in this section, which will aid the reader in assessing the changes in the College's financial position since last year. The emphasis of discussions regarding these statements will focus on the current year.

Three financial statements are presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and, the Statement of Cash Flows. These statements are more closely aligned with the format of financial information provided by the private sector.

STATEMENT OF NET ASSETS

The Statement of Net Assets provides a snapshot of the College's assets, liabilities and net assets at the end of the fiscal year. It provides the reader with information concerning the institution's ability to continue its operations and to determine its financial stability.

Assets and liabilities are separated into current, those which are due or to be paid within the current year and non-current, those which are longer term in nature. Net Assets represent the difference between total assets and total liabilities and provides information, in part, concerning any amount available to be spent by the institution.

Net Assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the equity in property, plant and equipment owned by the College. The next section, which is restricted net assets, is expendable in nature and has been approved by the College's governing board specifically for capital projects and debt service, as indicated. The final category of net assets is unrestricted, and not subject to external stipulations. This amount generally represents the College's 30-day operating reserve.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents revenues earned and expenses incurred during the year and categorizes amounts by operating and non-operating revenues and expenses. Generally, operating revenues and expenses are received and used to carry out the mission of the College; however, the College depends heavily on financial support from the state and counties for which it provides services. This support is reflected as non-operating revenue to the College based on governmental accounting standards and will always result in an operating deficit. Non-operating revenues and expenses offset the operating deficit and result in an overall increase in net assets for the year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. The cash flows from operating activities will always show a decrease in cash because of the College's dependence on state and local appropriations.

FINANCIAL HIGHLIGHTS

Financial Analysis of the College as a Whole

The following schedule is a condensed version of the College's assets, liabilities, and net assets and is prepared from the Statement of Net Assets.

**Net Assets
As of June 30,
(in millions)**

	2004	2003	Increase (Decrease)	Percent Change
Current Assets	\$ 29.2	\$ 23.4	\$ 5.8	24.8%
Non-current Assets				
Capital Assets (Net of Depreciation)	49.9	52.0	(2.1)	-4.0%
Other	2.2	2.4	(0.2)	-8.3%
Total Assets	81.3	77.8	3.5	4.5%
Current Liabilities	6.5	6.1	0.4	6.6%
Non-current Liabilities	11.1	11.2	(0.1)	-0.9%
Total Liabilities	17.6	17.3	0.3	1.7%
Net Assets				
Investment in Capital Assets	40.7	42.5	(1.8)	-4.2%
Restricted for: Expendable	18.6	13.9	4.7	33.8%
Unrestricted	4.4	4.1	0.3	7.3%
Total Net Assets	\$ 63.7	\$ 60.5	\$ 3.2	5.3%

Current assets increased by \$5.8 million over last fiscal year. Substantially all of the increase occurred in the area of cash and short-term investments. There are several factors responsible for the increase in current assets. The College anticipated state budget cuts of approximately 5 percent and increased tuition to help offset the expected decrease in the state funding. However, because of increased economic activity the state only reduced its funding by one percent during the fiscal year. These factors are discussed in more detail in the section of this analysis that discusses operating results. These factors in conjunction with a 4.5 percent increase in full-time-equivalent (FTE) students resulted in the net increase in cash and short-term investments.

Non-current assets decreased by a net of approximately \$2.3 million. Other non-current assets, which represent restricted cash on deposit with the South Carolina Office of the State Treasurer, decreased by approximately \$0.2 million. The decrease in restricted cash represented the expenditures of funds for the architectural and engineering fees on the Student Services/Precision Machining building currently in process on the College's Beltline Campus.

Capital assets decreased by approximately \$2.2 million. During the fiscal year the College reviewed its construction in progress and determined that repair and maintenance expenses for prior years were capitalized as construction in progress, construction period interest for prior years was not capitalized, and capital assets previously reported in construction in progress that should have been placed in service during prior years were not being depreciated. This review resulted in certain retroactive adjustments to beginning net assets. Notes 2 and 6 in the financial statements provide the detail to support the restatement of beginning net assets and the change in capital assets. The College adjusted the appropriate categories of capital assets during the fiscal year as a result of the restatement.

The decrease of \$2.2 million represents a net amount of approximately \$1.1 million in increases to property, plant and equipment, a decrease in construction in progress of approximately \$0.8 million and a \$2.5 million increase in accumulated depreciation on capital assets. The depreciation for the year exceeds the replacement of assets.

The following table contains an analysis of capital assets as of June 30, 2004 and 2003.

**Analysis of Capital Assets
June 30,
(in millions)**

	2004	2003	Increase (Decrease)	Percent Change
Land and Improvements	\$ 5.3	\$ 5.3	\$ -	0.0%
Construction in Progress	0.4	1.2	(0.8)	-66.7%
Works of Art	0.1	0.1	-	0.0%
Buildings and Improvements	60.0	59.3	0.7	1.2%
Machinery, Equipment, Vehicles & Other	9.9	9.5	0.4	4.2%
Total Capital Assets	\$ 75.7	\$ 75.4	\$ 0.3	0.4%
Less Accumulated Depreciation	-25.8	-23.3	(2.5)	10.6%
Capital Assets	\$ 49.9	\$ 52.1	\$ (2.2)	-4.2%

Liabilities

In total, liabilities increased by \$0.3 million over the prior year, \$0.4 million increase in current liabilities and a \$0.1 decrease in non-current liabilities. Deferred revenue for the Continuing Education Division is primarily responsible for the increase in current liabilities, while the reduction of the debt contributed to the decrease in the non-current liabilities.

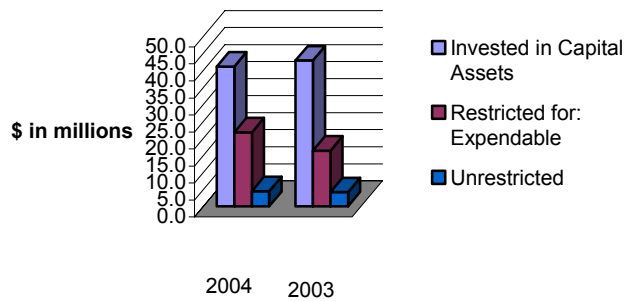
Net Assets

Total net assets at June 30, 2004 increased to \$63.7 million up from \$60.5 million (as restated) in fiscal year 2003, an increase of \$3.2 million. While the investment in capital assets declined by \$1.8 million, increases of \$4.7 million and \$0.3 million in restricted and unrestricted net assets offset the decrease.

The College's governing board allocates excess funds at the end of each fiscal year for major one-time expenditures that do not depend on recurring sources of funding. This policy is partially reflected in the increase in restricted net assets. Unrestricted net assets reflect the College's 30-day operating reserve.

The following is a graphic representation of the College's Net Assets at June 30, 2004 and 2003.

Comparative Net Assets Fiscal Years 2004 and 2003



Operating Results

The following schedule summarizes the College's operating results for fiscal year ended June 30, 2004 with comparative data for fiscal year ended June 30, 2003. Certain amounts in the prior year have been reclassified to conform to current year presentation.

Operating Results for the Years Ended June 30, 2004 (in millions)

	2004	2003	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees	\$21.4	\$14.9	\$6.5	43.6%
Grants and Contracts	20.4	18.3	2.1	11.5%
Auxiliary	5.6	4.8	0.8	16.7%
Other	0.6	0.7	-0.1	-14.3%
Total Operating Revenues	<u>48.0</u>	<u>38.7</u>	<u>9.3</u>	<u>24.0%</u>
Less Operating Expenses	<u>-70.6</u>	<u>-65.8</u>	<u>-4.8</u>	<u>7.3%</u>
Net Operating Loss	<u>-22.6</u>	<u>-27.1</u>	<u>4.5</u>	<u>-16.6%</u>
Non-operating Revenue				
State Appropriations	18.3	21.8	-3.5	-16.1%
Local Appropriations	7.4	8.3	-0.9	-10.8%
Proceeds from State				
Capital Improvement Bonds	-	1.8	-1.8	-100.0%
Other	0.1	0.1	-	0.0%
Total Non-operating Revenue	<u>25.8</u>	<u>32.0</u>	<u>-6.2</u>	<u>-19.4%</u>
Increase in Net Assets	<u>3.2</u>	<u>4.9</u>	<u>-1.7</u>	<u>-34.7%</u>
Net Assets, Beginning of Year	<u>60.5</u>	<u>55.6</u>	<u>2.3</u>	<u>4.2%</u>
Net Assets, End of Year	<u>\$63.7</u>	<u>\$60.5</u>	<u>\$.6</u>	<u>1.0%</u>
Total Revenues	<u>\$73.8</u>	<u>\$70.7</u>	<u>\$3.1</u>	<u>4.4%</u>

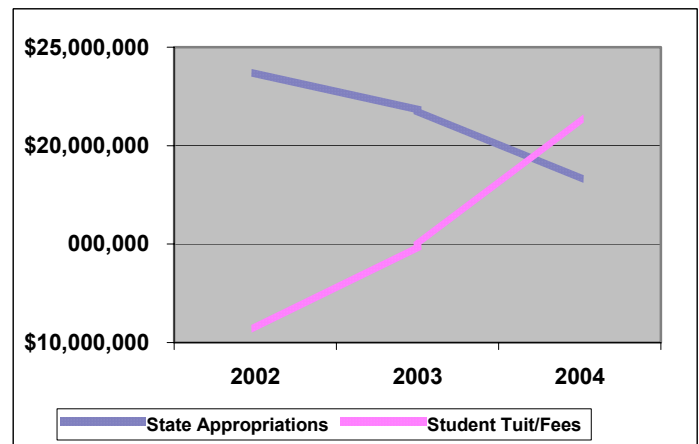
Revenues

Total revenue increased from \$70.7 million to \$73.8 million, an increase of \$3.1 million or 4.4 percent.

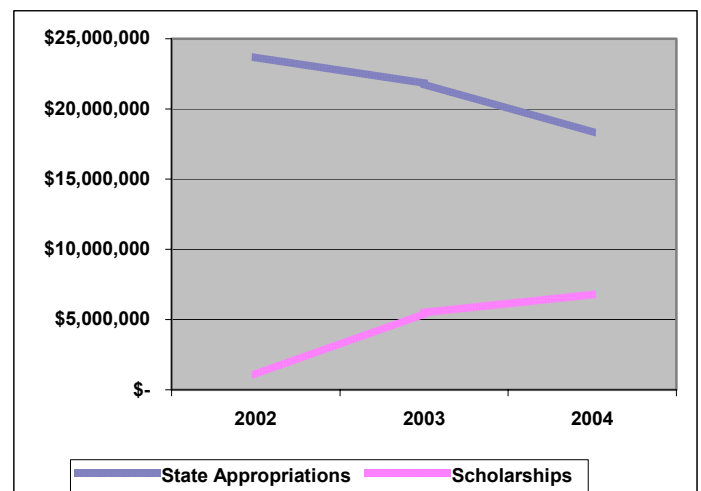
Operating revenue increased by \$9.3 million over the prior fiscal year, while non-operating revenue decreased by \$6.2 million. Within the category of operating revenues, two sources increased most significantly: student tuition and fees and grants and contracts.

The College increased tuition for the academic year in response to anticipated state budget cuts. The increase in tuition net of scholarship allowances and the approximate 4.5 percent increase in student FTE enrollment, resulted in the increase of approximately \$6.5 million in revenue from student tuition and fees.

Although the focus of this analysis is on current year operations, it is important to the discussion of the current year to look at the trend in funding from the state, and its corresponding relationship to student revenue. Over the past three years direct state funding to the College has declined from 41 to 25 percent of total revenues, while student tuition and fees revenue has increased from 19 to 29 percent. The following graph illustrates this trend.



While direct state funding to the College decreased over the past three years, state funding to students in the form of grants and scholarships increased. This is illustrated in the following graph.



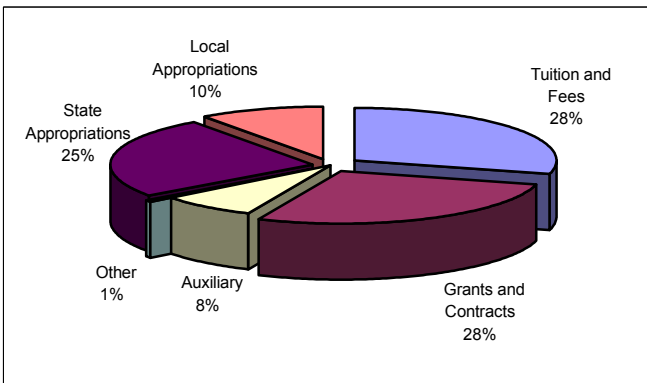
The trend that began during the 2002 fiscal year is continued for the 2004 fiscal year and can be seen in the increase in revenues for grants and contracts. During the fiscal year, this category of revenues increased by \$2.1 million or 11.5 percent.

The decrease in nonoperational revenue was \$6.2 million. State decreases accounted for approximately \$3.5 million of this amount. Adding to decreases in state appropriations for college operations was the absence of funding for capital improvement projects during the year. This contributed to \$1.8 million of the decrease in non-operating revenue.

Local appropriations decreased by a net of \$0.9 million or 10.8 percent. During the prior year the College drew the final payment from Richland County for their \$2.0 million contribution to the infrastructure on the Northeast Campus. This decrease from the prior year was offset by increases in funding for current year operations by approximately \$0.27 million. Increases in utilities for the first year of operating the Northeast Campus was responsible for the increase.

The following graph represents sources and percentages of revenue to the College for the fiscal year.

REVENUE BY SOURCE



Expenses

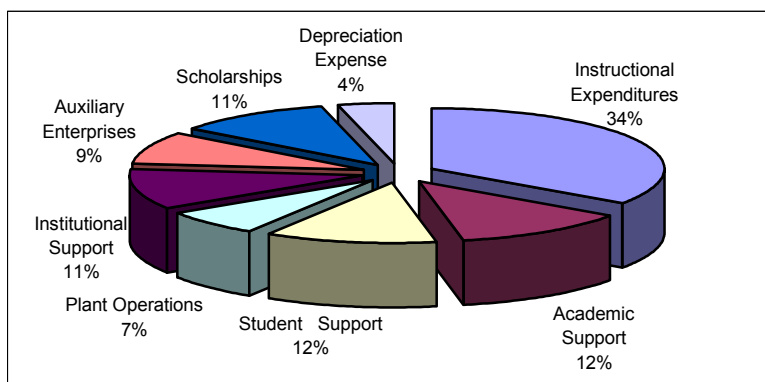
Operating expenses increased to \$70.6 million, up by approximately \$4.8 million or 6.2 percent over last fiscal year. Approximately 28 percent of the increase is related to scholarships to students. The state provided approximately \$0.9 million in additional lottery tuition scholarships and approximately \$0.45 million for the Legislative Incentive for Excellence (LIFE) scholarships. Lottery tuition assistance is available for all students who qualify for in-state tuition rates and are legal residents of South Carolina for a minimum of one year, while the LIFE scholarship program is a merit-based program administered by the financial aid office.

Approximately \$1.6 million increase occurred in salaries and benefits. The increase in salaries accounted for 4 percent, while benefits increased by 6 percent. With the cost of health insurance continuing to rise, the College's governing board approved a 3 percent salary increase to help to offset these increases for college employees.

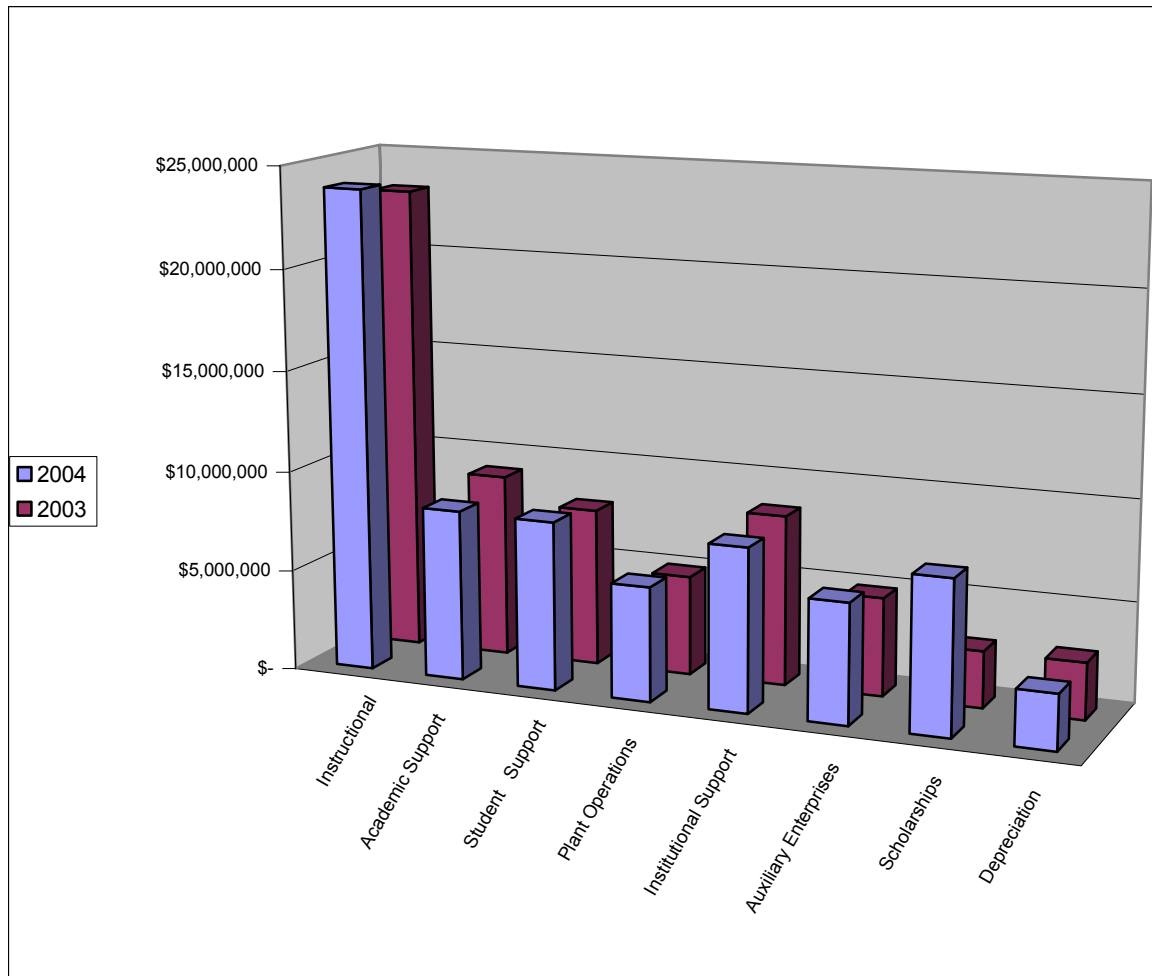
Expenses for utilities increased by 11 percent as a result of the first year of operating the Center for Excellence in Technology at the Northeast Campus.

The following graphs represent operating expenses by function for fiscal year ended 2004 and a comparison of operating expenses by function for fiscal years ended 2004 and 2003.

OPERATING EXPENSES BY FUNCTION



COMPARISON OF OPERATING EXPENSES BY FUNCTION FISCAL YEARS 2004 AND 2003



Economic Factors

The economic condition of the state has affected the College again this year through reductions in state funding for current operations. Funding from the state is used to pay salaries and benefits for college employees. As state funding continues to decline, the College will rely less on this source of funding and will need to determine other ways to fund its operations.

Requests for Information

Additional information or questions concerning any of the information provided should be requested from the College's finance director at Midlands Technical College, P.O. Box 2408, Columbia, SC 29202 or by e-mail at koonh@midlandstech.edu.

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BASIC FINANCIAL STATEMENTS



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MIDLANDS TECHNICAL COLLEGE**STATEMENT OF NET ASSETS****June 30, 2004****ASSETS**

Current assets:

Cash and cash equivalents	\$ 9,810,940
Short-term investments	10,518,763
Accounts receivable, net	6,592,423
Inventories	1,862,310
Other assets	423,569
Total current assets	<u>29,208,005</u>

Noncurrent assets:

Restricted cash and cash equivalents	2,286,953
Capital assets, net of accumulated depreciation	<u>49,865,886</u>

Total noncurrent assets	<u>52,152,839</u>
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Total assets	<u>81,360,844</u>
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LIABILITIES

Current liabilities:

Accounts payable	1,907,004
Accrued payroll and related liabilities	616,931
Funds held for others	142,828
Deferred revenue	3,003,687
Long term liabilities-current portion	
Bonds payable	380,000
Note payable	65,194
Compensated absences	234,871
Accrued Interest Payable	<u>115,114</u>

Total current liabilities	<u>6,465,629</u>
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Noncurrent liabilities:

Long term liabilities-noncurrent portion	
Bonds payable	8,725,000
Accrued compensated absences	2,406,993
Other noncurrent liabilities	40,061
Total noncurrent liabilities	<u>11,172,054</u>

Total liabilities	<u>17,637,683</u>
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NET ASSETS

Invested in capital assets, net of related debt	40,695,692
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Restricted for:

Capital projects	18,473,541
Debt service	146,043

Unrestricted	<u>4,407,885</u>
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Total net assets	<u>\$ 63,723,161</u>
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The accompanying notes are an integral part of these financial statements

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
June 30, 2004

REVENUES

Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$10,707,374)	\$ 21,447,627
Federal grants and contracts	13,244,727
State grants and contracts	6,916,114
Nongovernmental grants and contracts	219,232
Sales and services of educational departments	55,172
Auxiliary enterprises (net of book allowances of \$1,093,985)	5,586,006
Other operating revenues	598,040
Total operating revenues	<u>48,066,918</u>

EXPENSES

Operating expenses:	
Salaries	32,879,920
Benefits	8,270,566
Scholarships	7,605,148
Utilities	1,310,794
Supplies and other services	17,873,943
Depreciation	2,731,849
Total operating expenses	<u>70,672,220</u>
Operating loss	<u>(22,605,302)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	18,323,689
Local appropriations	5,758,676
Investment income (net of investment expense of \$28,409)	256,266
Interest on capital asset-related debt	(407,341)
Federal grants and contracts	26,025
State grants and contracts	155,042
Net nonoperating revenues	<u>24,112,357</u>
Income before other revenues, expenses, gains, or losses	<u>1,507,055</u>
Capital grants, gifts, revenue, and appropriations	
Local capital appropriations	1,661,000
Loss on disposal of capital assets	(11,453)
Increase in net assets	<u>3,156,602</u>

NET ASSETS

Net assets-beginning of year (as restated)	60,566,559
Net assets-end of year	<u><u>\$ 63,723,161</u></u>

The accompanying notes are a integral part of these financial statements

MIDLANDS TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees	\$ 20,862,498
Federal, State and Local grants and contracts	20,963,432
Non governmental contracts	219,232
Sales and services of educational departments	55,172
Auxiliary enterprises	5,586,006
Other receipts	598,040
Payments to vendors	(26,907,214)
Payments to employees	(40,735,712)
Net cash used by operating activities	<u>(19,358,546)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	18,322,103
Local appropriations	5,811,070
State, Local and Federal grants, gifts and contracts-nonoperating	182,653
Expended for agency funds	(96,914)
Net cash flows provided by noncapital financing activities	<u>24,218,912</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Local appropriations for capital	1,671,825
Purchase of capital assets	(636,795)
Principal paid on capital debt	(417,917)
Interest paid on capital debt	(411,607)
Net cash provided by capital and related financing activities	<u>205,506</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	27,500,000
Interest on investments	242,447
Purchase of investments	(25,230,198)
Net cash flows used by investing activities	<u>2,512,249</u>
Net increase in cash	7,578,121
Cash-beginning of year	4,519,772
Cash-end of year	<u>\$ 12,097,893</u>

**Reconciliation of net operating loss to net cash
used by operating activities:**

Operating loss	\$ (22,605,302)
Adjustments to reconcile net loss to net cash:	
Depreciation expense	2,731,849
Change in assets and liabilities:	
Accounts receivable, net	(222,019)
Inventories	74,717
Other assets	(273,019)
Accounts payable	149,862
Deferred revenue	439,481
Accrued compensated absences	345,885
Net cash used by operating activities	<u>\$ (19,358,546)</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Change in fair value of investments	\$ 15,785
Assets acquired through donations	42,657
Total noncash investing, Capital and Financing Activities	<u>\$ 58,442</u>

The accompanying notes are an integral part of these financial statements

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2004

	2004
Assets	
Cash and cash equivalents	\$ 1,009,696
Investments-marketable securities	2,287,534
Investments-real estate	45,000
Contributions receivable, net of allowance of \$170,014	1,741,536
Total assets	5,083,766
Liabilities and Net Assets	
Liabilities:	
Accounts payable	25,830
Total liabilities	25,830
Net assets:	
Unrestricted – undesignated	819,283
Unrestricted – designated	51,028
Temporarily restricted	1,439,250
Permanently restricted	2,748,375
Total net assets	5,057,936
Total liabilities and net assets	\$ 5,083,766

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
for the year ended June 30, 2004

	Unrestricted		Temporarily	Permanently	Totals
	Undesignated	Designated	Restricted	Restricted	2004
Revenues, gains and other support					
Contributions	\$ 329,183	\$ —	\$ 786,197	\$ 45,467	\$ 1,160,847
Income on long-term investments	30,975	5,621	13,725	—	50,321
Other investment income	4,526	—	—	—	4,526
Other income	—	—	—	—	—
Net unrealized and realized gains	185,125	583	1,363	—	187,071
Net assets released from restrictions:					
Satisfaction of program restrictions	—	136,846	(136,846)	—	—
Satisfaction of time restrictions	384,175	(64)	(386,929)	2,818	—
Total revenues, gains and other support	<u>933,984</u>	<u>142,986</u>	<u>277,510</u>	<u>48,285</u>	<u>1,402,765</u>
Expenses					
Operational support	23,075	—	—	—	23,075
College support	383,084	—	—	—	383,084
Student support	—	57,384	—	—	57,384
Management and general	—	98,234	—	—	98,234
Fund raising	8,034	—	—	—	8,034
Total expenses	<u>414,193</u>	<u>155,618</u>	<u>—</u>	<u>—</u>	<u>569,811</u>
Change in net assets	519,791	(12,632)	277,510	48,285	832,954
Net assets at beginning of year	<u>299,492</u>	<u>63,660</u>	<u>1,161,740</u>	<u>2,700,090</u>	<u>4,224,982</u>
Net assets at end of year	<u>\$ 819,283</u>	<u>\$ 51,028</u>	<u>\$ 1,439,250</u>	<u>\$ 2,748,375</u>	<u>\$ 5,057,936</u>

The accompanying notes are an integral part of these financial statements.

MIDLANDS TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Midlands Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Richland, Lexington and Fairfield counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

Midlands Technical College Foundation, Inc. (“the Foundation”) is a nonprofit organization that was formed August 12, 1970 to benefit and support education at Midlands Technical College (the “College”).

Reporting Entity

During the year ended June 30, 2004, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College.

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the reporting entity are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Midlands Technical College, as the primary government reporting unit, and the accounts of Midlands Technical College Foundation (the “Foundation”), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation’s relationship with the State of South Carolina, the

Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 39-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation’s operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences. However, significant note disclosures to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements.

Financial statements for the Foundation can be obtained by mailing a request to: Midlands Technical College Foundation, Post Office Box 2408, Columbia, South Carolina 29202.

Financial Statements

The financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses,

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

changes in net assets and cash flows that replaces the fund-group perspective previously required.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates. Actual amounts may differ from the estimates.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal, state and local

governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and two to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Deferred Revenues and Deposits

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

Net Assets

The College's net assets are classified as follows:

- *Invested in capital assets, net of related debt:* This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Restricted net assets:* Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- *Restricted net assets – nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to

first apply the expense to restricted resources and then to unrestricted resources.

Income Taxes

The College is exempt from income taxes under the Internal Revenue Code.

Classification of Revenues

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

- *Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.
- *Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. Midlands Technical College receives such revenues primarily from the automotive and dental auxiliary departments.

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by bookstores, food services and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized Interest

The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$407,341 of interest cost during the year ended June 30, 2004, all of which was charged to expense.

Component Unit

The financial statements of the Foundation are presented in accordance with accounting principles generally accepted in the United States of America and are prepared on the accrual basis of accounting. Consequently, the net assets of the Foundation are reported as follows:

- *Unrestricted Undesignated* – Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.
- *Unrestricted Designated* – Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.
- *Temporarily Restricted* – Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.
- *Permanently Restricted* – Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.
- *Revenue, Gains and Other Support and Expenses and Losses* – Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as

appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

- *Donated Services, Goods, and Facilities* – A substantial number of volunteers have donated an undetermined number of hours to the Foundation's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

During the year ended June 30, 2004, the Foundation received contributed supplies and equipment valued at approximately \$15,000 and \$280,000 respectively from donors. Of this amount approximately \$224,000 related to operating leases of equipment loaned to the Foundation for use by the College. Substantially all contributions of equipment to the Foundation become property of the College upon receipt of the property from the donor. Accordingly, the Foundation records the contributions at their fair value with an offset to college support in these financial statements.

- *Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- *Cash and Cash Equivalents* – Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than 90 days. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.
- *Investments* – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment in real estate held for sale is reported at the lower of cost or market. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

restricted by donor or law. Securities or other investments donated are recorded at their market value at the date of the gift.

- *Concentrations of Credit and Market Risk* – Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Foundation has not experienced any losses on its cash equivalents. Management believes that the Foundation's investment portfolio is adequately diversified among issuers. In addition, management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines.

- *Income Taxes* – The Foundation has received a determination from the Internal Revenue Service that it is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Service.

NOTE 2 – ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS

The College determined that it had capitalized repair and maintenance expenses for prior years as construction in progress, which it properly adjusted during the 2004 fiscal year. Also, construction period interest for prior years was not capitalized. The College capitalized the prior period interest and the associated accumulated depreciation during the fiscal year. Additionally, capital assets previously reported in construction in progress that should have been placed in service during prior years have been reclassified, capitalized and depreciated accordingly. The resulting effect on beginning net assets is summarized as follows:

Net Assets at June 30, 2003, as previously reported	\$ 63,196,820
Capitalization of repair expense	(2,819,890)
Capitalization of construction period interest	236,011
Accumulated depreciation of construction period interest	(23,600)
Accumulated depreciation on assets in use yet not being depreciated	(22,782)
Net Assets at June 30, 2003, as restated	<u>\$ 60,566,559</u>

Component Unit

Contributions receivable – During the year ended June 30, 2003, the Foundation recorded the total net contributions receivable as temporarily restricted net assets, of which \$1,088,653 was designated as permanently restricted. During the year ended June 30, 2004, the beginning balance of the temporarily and permanently restricted net assets were restated to reflect the correction.

NOTE 3 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical

and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2004:

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 3 – STATE APPROPRIATIONS (Continued)

NON-CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	\$ 17,673,711
Appropriations from Commission on Higher Education for Academic Endowment	1,586
Other adjustments:	
Lottery Technology Equipment	648,392
Total non-capital appropriations recorded as current year revenue	<u>\$ 18,323,689</u>

NOTE 4 – CASH, DEPOSITS, AND INVESTMENTS

Deposits

Deposits include cash and cash equivalents on deposit in banks and held by the State Treasurer. At year-end, the College's carrying amount of deposits with banks was \$9,786,371. The bank balance was \$11,165,672, of which \$49,329 was covered by FDIC insurance and the balance, \$11,116,343 was collateralized with securities held by a third-party financial institution (as the College's agent) in the College's name. The State Treasurer held \$2,286,953 in its pooled cash funds in the College's name.

The College's deposits are categorized to give an indication of the level of risk assumed by the College at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to

recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. The three categories of deposit credit risk are as follows:

- (A) Insured or collateralized with securities held by the College or by its agent in the College's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.
- (C) Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the College's name.

A summary of June 30, 2004 deposits by risk category follows:

	Category			<u>Bank Balance</u>	<u>Carrying Value</u>
	A	B	C		
Held by Bank	<u>\$ 11,165,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,165,672</u>	<u>\$ 9,786,371</u>
Total Deposits	<u><u>\$ 11,165,672</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,165,672</u></u>	<u><u>\$ 9,786,371</u></u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 4 – CASH, DEPOSITS, AND INVESTMENTS (Continued)

Restricted cash includes \$98,720 held for debt service reserve funds, and \$2,188,233 held for maintenance, repair and replacement of institutional capital projects.

Investments

The College is authorized to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College's investments are categorized to give an indication of the level of risk assumed by the College at year-end. The credit risk categories are concerned with

custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment transaction fails. The three categories of credit risk are:

- (1) Insured or registered in the College's name, or securities held by the College or its agent in the College's name.
- (2) Uninsured and unregistered securities, with securities held by the counterparty's trust department or agent in the College's name.
- (3) Uninsured and unregistered securities, with securities held by the counterparty, or by its trust department or agent but not in the College's name.

At June 30, 2004, the College's investments consisted of the following:

	Category			<u>Bank Balance</u>	<u>Fair Value</u>
	<u>A</u>	<u>B</u>	<u>C</u>		
U.S. government securities	<u>\$ 10,492,832</u>	<u>-</u>	<u>-</u>	<u>\$ 10,492,832</u>	<u>\$ 10,518,763</u>
Total Investments	<u>\$ 10,492,832</u>	<u>-</u>	<u>-</u>	<u>\$ 10,492,832</u>	<u>\$ 10,518,763</u>

The investment types listed above include all investment types in which monies were held throughout the fiscal year

and the balances therein fluctuated minimally in excess of the fiscal year-end balances.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 4 – CASH, DEPOSITS, AND INVESTMENTS (Continued)

STATEMENT OF NET ASSETS:

Cash and cash equivalents	\$ 9,810,939
Restricted cash and cash equivalents	2,286,953
Investments	<u>10,518,763</u>

TOTAL STATEMENT OF NET ASSETS	<u><u>\$ 22,616,655</u></u>
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DEPOSITS AND INVESTMENTS NOTE:

Carrying value of deposits	\$ 9,786,371
Cash on hand	24,568
Held by State Treasurer	2,286,953
Investments, reported amount	<u>10,518,763</u>

TOTAL DEPOSITS AND INVESTMENTS NOTE	<u><u>\$ 22,616,655</u></u>
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Component Unit

The following summarizes the cost and fair values of investments at June 30,

	2004	
	Cost	Fair Value
Marketable securities:		
Mutual funds-fixed income	\$ 850,857	\$ 861,343
Mutual funds- equities	1,591,315	1,426,191
	<u>2,442,172</u>	<u>2,287,534</u>
Real estate held for sale	45,000	45,000
	<u>\$ 2,487,172</u>	<u>\$ 2,332,534</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2004, including applicable allowances, were as follows:

Receivables:

Local appropriation	\$ 768,315
Student accounts	2,692,825
Less: allowance for uncollectibles	(1,254,462)
Company accounts	1,832,129
Federal grants and contracts	1,293,196
State grants and contracts	1,143,947
Non-governmental grants and contracts	43,581
Related parties	2,127
Capital project funds due from State Treasurer	6,317
Other	64,448
Receivables, net	<u>\$ 6,592,423</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

Contributions Receivable-Component Unit

Unconditional promises to give as of June 30, 2004, are due as follows:

Within one year	\$ 530,138
One to five years	1,546,583
Over five years	10,000
Total	<u>2,086,721</u>
Allowance for uncollectible pledges	(170,014)
Present value discount	(175,171)
Contributions receivable, net	<u>\$ 1,741,536</u>

This discount used on long-term promises to give was 4% for 2004.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 6 – CAPITAL ASSETS

	Beginning Balance June 30, 2003	Increases	Decreases	Ending Balance June 30, 2004
Capital Assets not being depreciated:	(as restated)			
Land and improvements	\$5,348,485	\$ -	\$ -	\$5,348,485
Construction in progress, net	1,221,025	-	(847,554)	373,471
Works of art, historical treasures, and similar assets	95,346	-	-	95,346
Total capital assets not being depreciated	6,664,856	-	(847,554)	5,817,302
Other Capital assets:				
Buildings and improvements	52,773,207	698,848	-	53,472,055
Machinery, equipment, and other	7,844,330	584,518	(278,702)	8,150,146
Vehicles	991,048	72,758	(81,485)	982,321
Depreciable Land improvements	6,571,771	-	-	6,571,771
Intangibles	748,760	-	-	748,760
Total other capital assets at historical cost	68,929,116	1,356,124	(360,187)	69,925,053
Less accumulated depreciation for:				
Buildings and improvements	(14,118,443)	(1,569,902)	-	(15,688,345)
Machinery and equipment	(6,057,386)	(868,938)	278,702	(6,647,622)
Vehicles	(714,400)	(78,396)	81,485	(711,311)
Depreciable Land improvements	(2,078,228)	(214,613)	-	(2,292,841)
Intangibles	(536,350)	-	-	(536,350)
Total accumulated depreciation	(23,504,807)	(2,731,849)	360,187	(25,876,469)
Other capital assets, net	45,424,309	(1,375,725)	-	44,048,584
Capital Assets, Net	\$52,089,165	(\$1,375,724)	(\$847,554)	\$49,865,886

NOTE 7 – PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to The South Carolina Retirement System, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all state-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and

employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 7 – PENSION PLANS (Continued)

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 10.85 percent, which included a 3.30 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2004, 2003, and 2002, were \$2,816,020, \$2,724,773, and \$2,630,357, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$40,260 in the current fiscal year at the rate of 0.15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 13.60 percent, which, as for the SCRS, included the 3.30 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2004, 2003, and 2002, were \$22,537, \$17,309, and \$16,873, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$343 and accidental death insurance contributions of \$343 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is 0.20 percent of compensation.

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for

Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.30 percent from the employer in fiscal year 2004. A direct remittance is required from the employers to the investment providers for the employee contribution (6 percent) and a portion of the employer contribution (5 percent). Also, a direct remittance is required to SCRS for a portion of the employer contribution (2.55 percent), which must be retained by SCRS.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefit.

For the fiscal year, total contribution requirements to the ORP were \$78,809 (excluding the surcharge) from Midlands Technical College as employer and \$67,160 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$343 in the current fiscal year at the rate of 0.15 percent of compensation.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 7 – PENSION PLANS (Continued)

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group-life insurance benefits or disability retirement benefits.

NOTE 8 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$2,585,645

for the year ended June 30, 2004. As discussed in Note 7, the College paid \$96,869 applicable to the 3.30 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to College retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from the System's earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 9 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2004, the College had remaining commitment balances of approximately \$3,905,133 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. Remaining commitment balances with certain parties related to these projects total \$127,237 at June 30, 2004.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 9 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS (Continued)

The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, local appropriations, and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin

specific projects and project expenditures have been incurred.

NOTE 10 – LEASE OBLIGATIONS

The College leases certain office equipment under operating leases with external parties. Future minimum payments under these non-cancelable leases are as follows:

<u>Year Ended June 30,</u>	Operating Leases with External Parties
2005	\$180,985
2006	164,282
2007	22,020
2008	18,762
2009	<u>16,500</u>
Total Minimum Payments	<u>\$402,549</u>

Operating lease payments disbursed to external parties during the fiscal year ended 2004 total \$245,736.

NOTE 11 – SHORT-TERM DEBT

The Commission has authorized the administration to create a temporary line of credit not to exceed \$1,000,000 if needed to support the operations of the College. The line of credit was not open during the fiscal year.

NOTE 12 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2004, are summarized as follows:

Accounts Payable	\$ 1,696,654
Student Payable	5,212
Employee Payable	20,418
Construction Payable	154,683
Retainage Payable	<u>30,037</u>
	<u>\$ 1,907,004</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 13 – BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2004:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
State Institution Bonds			
Series 2002C	3.0%	10/01/21	\$5,105,000
Series 1998A	5.0% to 7.0%	03/01/14	<u>\$4,000,000</u>
Total State Institution Bonds			<u>\$9,105,000</u>

State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on state institution bonds. The legal debt margin for state institution bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bond fees for the preceding year were

\$1,132,000, which results in a legal annual debt service at June 30, 2004 of \$1,018,800. The annual debt service payments for the fiscal year ended June 30, 2004 were \$761,967.

The scheduled maturities of the bonds payable by type are as follows:

<u>State Institution Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2005	\$ 380,000	\$ 389,443	\$ 769,443
2006	395,000	370,968	765,968
2007	420,000	355,818	775,818
2008	440,000	339,018	779,018
2009	465,000	321,874	786,874
2010 - 2014	2,715,000	1,291,510	4,006,510
2015 - 2019	3,090,000	625,750	3,715,750
2020 - 2022	1,200,000	82,800	1,282,800
Total	<u>\$ 9,105,000</u>	<u>\$ 3,777,181</u>	<u>\$12,882,181</u>

Note payable at June 30, 2004 consists of a note secured by computer systems and peripheral equipment, dated March 21, 2001, payable in annual installments of \$67,554, beginning in 2002, and maturing on April 1, 2005, at an interest rate of 3.62 percent, with an outstanding principal balance of \$65,194 at June 30, 2004.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 14 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2004 was as follows:

	June 30, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2004</u>	Due Within <u>One Year</u>
Bonds and Note Payable					
State Institution Bonds	\$ 9,460,000	\$ -	\$ 355,000	\$ 9,105,000	\$ 380,000
Note Payable	128,110	-	62,916	65,194	65,194
Total Bonds, Notes and Capital Leases	9,588,110	-	417,916	9,170,194	445,194
Accrued Compensated Absences	2,295,979	2,807,315	2,461,430	2,641,864	234,871
Total Long-Term Liabilities	\$ 11,884,089	\$ 2,807,315	\$ 2,879,346	\$11,812,058	\$ 680,065

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS – COMPONENT UNIT

At June 30, 2004, temporarily restricted net assets are available for the following specific program services:

Contributions receivable	\$ 632,318
Awaiting expenditure in accordance with donor stipulations	806,932
	<u>\$ 1,439,250</u>

During the year, temporarily restricted net assets were released for satisfaction of the following restrictions:

Scholarships	\$ 38,612
Professional Development	58,453
Program Support	39,781
Total program restrictions released	<u>\$ 136,846</u>
Time restrictions released	<u>\$ 386,929</u>

During fiscal year 2004, a donor notified the Foundation that they wanted to change a contribution previously made to the Foundation in the amount of \$2,818, of which \$1,303 was previously classified as temporarily restricted, to be reclassified as permanently restricted.

NOTE 16 – PERMANENTLY RESTRICTED NET ASSETS – COMPONENT UNIT

Permanently restricted net assets of \$1,815,412 at June 30, 2004 are restricted to investment in perpetuity; the income from which is expendable to support the Foundation's objectives.

NOTE 17 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

The College recorded non-governmental gifts receipts of \$57,384 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2004. These funds were used to support College programs such as scholarships. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. The value of this office space and support services was approximately \$149,000 for the year ended June 30, 2004. Additionally, the Foundation paid the College a total of \$3,000 for administrative services during the year.

Amounts due from the Foundation as of June 30, 2004 are \$25,830.

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 18 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State of South Carolina or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 19 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2004 are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 15,817,307	\$ 4,057,783	\$ -	\$ -	\$ 3,985,683	\$ -	\$ 23,860,773
Academic Support	4,917,042	1,236,789	-	-	2,287,401	-	8,441,232
Student Services	4,888,141	1,249,221	-	-	2,221,940	-	8,359,302
Operation and Maintenance of Plant	1,319,791	400,275	-	1,288,901	2,645,643	-	5,654,610
Institutional Support	5,352,907	1,187,060	-	-	1,536,022	-	8,075,989
Scholarships	-	-	7,605,148	-	-	-	7,605,148
Auxiliary Enterprises	584,732	139,438	-	21,893	5,197,254	-	5,943,317
Depreciation	-	-	-	-	-	2,731,849	2,731,849
Total Operating Expenses	<u>\$ 32,879,920</u>	<u>\$ 8,270,566</u>	<u>\$ 7,605,148</u>	<u>\$ 1,310,794</u>	<u>\$ 17,873,943</u>	<u>\$ 2,731,849</u>	<u>\$ 70,672,220</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 20 – STATEMENT OF ACTIVITIES

Midlands Technical College's transactions are reported in the Higher Education Fund, an enterprise fund, of the State of South Carolina. The following is information needed to present the College's business-type activities in the State's government-wide Statement of Activities.

	<u>2004</u>	<u>2003</u>
Charges for services	\$ 47,468,878	\$ 38,094,337
Operating grants and contributions	6,794,046	6,543,831
Capital grants and contributions	1,661,000	2,886,859
Less: expenses	<u>(71,091,011)</u>	<u>(66,276,684)</u>
Net program revenue (expense)	<u>(15,167,087)</u>	<u>(18,751,657)</u>
General revenues:		
Earnings on investments	-	-
Transfers:		
State appropriations	18,323,689	21,767,831
State capital appropriations	-	90,574
Capital improvement bond proceeds	-	1,758,688
	<u>-</u>	<u>33,405</u>
Total general revenues and transfers	<u>18,323,689</u>	<u>23,650,498</u>
Change in net assets	3,156,602	4,898,841
Net assets-beginning	<u>60,566,559</u>	<u>55,667,718</u>
Net assets-ending	<u>\$ 63,723,161</u>	<u>\$ 60,566,559</u>

MIDLANDS TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

- CONTINUED -

NOTE 21 – SALES/PURCHASES WITH OTHER HIGHER EDUCATION INSTITUTIONS

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year, as listed below:

	Sales	Purchases
South Carolina State	\$ -	\$ 16,174
Benedict College	362	-
Columbia College	-	2,409
Greenville Technical College	-	330
Aiken Technical College	-	390
Central Carolina Technical College	2,251	15
Denmark Technical College	-	650
Florence-Darlington Technical College	-	5,487
Horry-Georgetown Technical College	-	7,170
Northeastern Technical College	2,488	-
Piedmont Technical College	-	2,865
Tri-County Technical College	2,061	-
York Technical College	5,875	1,754
Clemson	-	690
Furman	-	3,315
University of South Carolina	24,300	95,434
Total	<u>\$ 37,337</u>	<u>\$ 136,683</u>

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FEDERAL AWARDS SECTION



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MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED June 30, 2004

	<u>Major</u>	<u>Federal CFDA Number</u>	<u>Program Year</u>	<u>Program or Award Amount</u>	<u>Accrued Revenue at 7/1/2003</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Accrued Revenue at 6/30/04</u>
Student Financial Assistance Cluster								
U. S. Department of Education								
9841213 SEOG 2003	*	84.007A	02/03	\$ 263,249.00	\$ 94,745.35	\$ (94,745.35)	\$ -	\$ -
9840214 SEOG 2004	*	84.007A	03/04	368,403.00	-	(305,603.00)	368,403.00	62,800.00
Total U.S. Department of Education				631,652.00	94,745.35	(400,348.35)	368,403.00	62,800.00
9840100 College Work Study Program	*	84.033A	03/04	440,219.00	20,014.41	(408,797.33)	440,132.47	51,349.55
9840313 PELL	*	84.063	02/03	8,135,117.75	1,236,255.79	(1,254,008.74)	14,587.95	(3,165.00)
9841314 PELL	*	84.063	03/04	10,179,606.00	-	(9,220,776.32)	10,179,075.46	958,299.14
Total Student Financial Assistant Cluster				18,314,723.75	1,236,255.79	(10,474,785.06)	10,193,663.41	955,134.14
				19,386,594.75	1,351,015.55	(11,283,930.74)	11,002,198.88	1,069,283.69
TRIO Cluster								
9841103 Upward Bound	*	84.047A	02/03	282,062.00	78,876.44	(115,332.94)	36,456.50	-
9841104 Upward Bound	*	84.047A	03/04	287,703.00	-	(149,828.56)	228,768.35	78,939.79
				569,765.00	78,876.44	(265,161.50)	265,224.85	78,939.79
9841203 Talent Search	*	84.044A	02/03	338,785.00	28,598.25	(84,158.01)	55,559.76	-
9841204 Talent Search	*	84.044A	03/04	345,561.00	-	(245,461.97)	272,212.93	26,750.96
				684,346.00	28,598.25	(329,619.98)	327,772.69	26,750.96
9841212 Student Support Services (SSS-AC)	*	84.042A	01/02	249,208.00	210.67	(210.67)	-	-
9841213 Student Support Services (SSS-AC)	*	84.042A	02/03	260,079.00	18,934.50	(55,537.50)	36,603.00	-
9841214 Student Support Services (SSS-AC)	*	84.042A	03/04	260,181.00	-	(174,212.25)	198,640.36	24,428.11
				769,468.00	19,145.17	(229,960.42)	235,243.36	24,428.11
9841303 Educational Opportunity Center (EOC)	*	84.066A	02/03	190,000.00	24,050.11	(99,793.52)	75,766.84	23.43
9841304 Educational Opportunity Center (EOC)	*	84.066A	03/04	204,000.00	-	(145,355.87)	166,705.04	21,349.17
				394,000.00	24,050.11	(245,149.39)	242,471.88	21,372.60
Total TRIO Cluster				2,417,579.00	150,669.97	(1,069,891.29)	1,070,712.78	151,491.46

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

9841702 Strengthening Institutions	*	84.031A	01/02	345,119.00	2,938.56	(8,615.76)	5,677.20	-
9841703 Strengthening Institutions	*	84.031A	02/03	334,323.00	62,049.06	(216,362.32)	154,313.26	-
				<u>679,442.00</u>	<u>64,987.62</u>	<u>(224,978.08)</u>	<u>159,990.46</u>	<u>-</u>
Passed Through State Technical Board for Comprehensive Education								
9843800 Congressional Grant		84.116Z	03/04	25,220.00	-	-	25,220.00	25,220.00
Total Passed Through State Technical Board for Comprehensive Education				<u>25,220.00</u>	<u>-</u>	<u>-</u>	<u>25,220.00</u>	<u>25,220.00</u>
Passed Through S.C. Department of Education:								
9843002 Perkins III-Travel		84.048	02/03	624.79	624.79	(624.79)	-	-
9843003 Perkins III		84.048	03/04	578,894.00	94,109.73	(495,946.20)	517,493.79	115,657.32
9843400 Perkins III		84.048	02/03	21.39	21.39	(21.39)	-	-
9842500 Tech Prep		84.048	03/04	8,219.00	-	(6,046.35)	6,046.35	-
				<u>587,759.18</u>	<u>94,755.91</u>	<u>(502,638.73)</u>	<u>523,540.14</u>	<u>115,657.32</u>
9845000 State Leadership		84.048A	03/04	866.00	2,700.00	(3,565.44)	865.44	-
9842803 Gear Up		84.334A	02/03	130,078.00	65,580.33	(72,406.73)	6,826.40	-
9842804 Gear Up		84.334A	03/04	130,659.00	-	(80,643.13)	119,166.61	38,523.48
				<u>260,737.00</u>	<u>65,580.33</u>	<u>(153,049.86)</u>	<u>125,993.01</u>	<u>38,523.48</u>
Total Passed Through S.C. Dept of Education				<u>849,362.18</u>	<u>163,036.24</u>	<u>(659,254.03)</u>	<u>650,398.59</u>	<u>154,180.80</u>
Total U.S. Department of Education				<u>23,358,197.93</u>	<u>1,729,709.38</u>	<u>(13,238,054.14)</u>	<u>12,908,520.71</u>	<u>1,400,175.95</u>
U.S. Department of Labor								
Passed Through S.C. Employment Security Commission:								
9170522 WIA-Youth		17.255	03/04	257,761.00	31,697.41	(183,070.02)	189,077.31	37,704.70
Total Passed Through S.C. Employment Security Commission				<u>257,761.00</u>	<u>31,697.41</u>	<u>(183,070.02)</u>	<u>189,077.31</u>	<u>37,704.70</u>
Passed Through Central Midlands Regional Planning Council:								
9170400 Commission on Aging Title V		17.235	03/04	12,415.00	1,174.00	(10,646.00)	10,617.66	1,145.66
Total Passed Through Central Midlands Regional Planning Council				<u>12,415.00</u>	<u>1,174.00</u>	<u>(10,646.00)</u>	<u>10,617.66</u>	<u>1,145.66</u>
Total U.S. Department of Labor				<u>270,176.00</u>	<u>32,871.41</u>	<u>(193,716.02)</u>	<u>199,694.97</u>	<u>38,850.36</u>

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

National Science Foundation

Passed Through the University of South Carolina

9470002 SCAMP- YEAR I	47.064	01/02	35,000.00	3,107.48	(3,107.48)	-	-
9470003 SCAMP- YEAR II	47.064	02/03	25,000.00	9,692.25	(10,666.25)	14,557.08	13,583.08
9470004 SCAMP	47.064	03/04	25,000.00	-		11,467.93	11,467.93
Total Passed Through the University of South Carolina			85,000.00	12,799.73	(13,773.73)	26,025.01	25,051.01

9470030 National Science Foundation	47.076	01/02	169,400.00	23,397.45	(37,908.00)	14,510.55	-
Total NSF Department of Treasury			169,400.00	23,397.45	(37,908.00)	14,510.55	-

Total National Science Foundation			254,400.00	36,197.18	(51,681.73)	40,535.56	25,051.01
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U.S. Department of State

9194000 NASFA-Coop Grant	19.420	02/03	870.00	870.00	(870.00)	-	-
Total U.S. Department of State			870.00	870.00	(870.00)	-	-

U.S. Department of Health and Human Services

Passed Through S.C. Dept of Education

9843200 T.E.A.C.H.	*	93.575	03/04	122,000.00	25,763.86	(124,376.40)	122,000.83	23,388.29
Total U.S. Department of Health and Human Services				122,000.00	25,763.86	(124,376.40)	122,000.83	23,388.29

TOTAL FEDERAL ASSISTANCE				\$ 24,005,643.93	\$ 1,825,411.83	\$ (13,608,698.29)	\$ 13,270,752.07	\$ 1,487,465.61
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Guaranteed student loans awarded totaled \$9,340,541.24 for the fiscal year ended June 30, 2004.

* denotes major program.

MIDLANDS TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2004

1. Description

Midlands Technical College (the "College") has adopted the Federal Office of Management and Budget's ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (as revised). For purposes of implementing OMB Circular A-133 federal grant awards were made susceptible to audit and are included in the Schedule of Expenditures of Federal Awards.

2. Summary of Significant Accounting Principles

Basis of Presentation

The financial activity shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the College on the accrual basis, during its fiscal year July 1, 2003 through June 30, 2004.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Required by *Government Auditing Standards***

To the President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

We have audited the basic financial statements of Midlands Technical College (the "College") as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition discovered during the audit is described below:

Capital Assets

During our testing of construction-in-progress, we found significant items recorded as construction-in-progress that required adjustment to the current and prior year financial statements. Among the items found during our testing were repair and maintenance expenses of permanent improvement programs that should have been expensed in the period incurred, and other capital expenditures included in construction-in-progress that had been placed into service, but had not been reclassified as a capital asset with the appropriate depreciation charges.

Management should consider closely working and formalizing communications with the project managers to maintain updated construction-in-progress records on at least a quarterly basis, and to ensure that the items recorded as constructions-in-progress are only those of unfinished capital projects that will be later capitalized by the College.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Commission, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
September 10, 2004

**Report on Compliance with Requirements Applicable to Each Major Program and Internal Control
Over Compliance Required by OMB Circular A-133**

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

Compliance

We have audited the compliance of Midlands Technical College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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The President and Members of the Commission
Midlands Technical College
Page 2 of 3

This report is intended for the information of the Commission, management and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
September 10, 2004

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Summary of Auditors' Results:

- 1) Type of report issued on basic financial statements – unqualified.
- 2) One reportable condition was disclosed during the audit of the basic financial statements.
- 3) Material noncompliance (as defined by OMB Circular A-133) disclosed in audit of basic financial statements – none.
- 4) Reportable conditions disclosed during the audit of internal control over major federal award programs – none.
- 5) Type of report issued on compliance for major programs – unqualified.
- 6) Major federal financial assistance programs – Student Financial Assistance (Cluster).
- 7) Dollar threshold for distinguishing between Type A and Type B Programs – \$398,123.
- 8) Qualified as a low-risk auditee – yes

Generally Accepted Governmental Auditing Standards Findings:

Involving Federal Funds:

None.

Not Involving Federal Funds:

- 1) A reportable condition, which is also considered a material weakness, was found in the area of capital assets.

Federal Awards Findings:

None.

Status of Prior Year's Comments:

None.

Independent Accountant's Report on State Lottery Tuition Assistance

The President and Members of the Commission
Midlands Technical College
Columbia, South Carolina

We performed certain procedures on the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program for the year ended June 30, 2004, to determine that the College administered the program in accordance with State Law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

The method of sample selection used was random. Twenty-five students were selected from the College's list of award recipients.

We obtained the individual files maintained in the financial aid office of each applicant selected to determine that they contained adequate information and documentation to determine eligibility. We also tested individual files to determine if any lottery tuition assistance awarded exceeded the remaining cost of tuition and academic fees for the applicable semester after first applying Pell grants, FSEOG, SC Need-Based grants, and other applicable grants.

We also selected a sample of students deemed ineligible for the Lottery Tuition Assistance Program, to determine if the students were granted the right to appeal the decision by submitting a written request to the institution's Director of Financial Aid, and if the students' requests were handled in accordance with the institution's financial aid procedures.

We traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the student's account.

The results of our tests disclosed no instance of noncompliance with State Law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

This report is intended solely for the use of management, Midlands Technical College Area Commission, and management of the State Board for Technical and Comprehensive Education and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
September 10, 2004

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SCHEDULES



MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF CURRENT FUNDS REVENUES BY SOURCE
Last 10 fiscal years

Current Fund Revenues*	For the Years Ended June 30,				
	2004	2003	2002	2001	2000
Student Revenues	31,023,001	\$ 25,214,844	\$ 19,662,268	\$ 15,650,718	\$ 14,336,688
State Appropriations	18,323,689	21,767,831	23,757,529	25,203,111	25,183,038
Local Appropriations	5,038,676	5,484,775	6,418,590	6,243,881	5,930,834
Restricted Grants and Contracts	13,270,752	12,589,713	11,230,347	9,077,998	8,795,531
State Grants and Contracts	7,071,156	5,772,060	1,730,550	1,146,849	952,277
Other Grants and Contracts	219,232	55,237	45,165	70,076	213,198
Sales and Service of Educational Depts.	55,172	61,154	66,350	74,735	62,427
Auxiliary Enterprises	6,885,841	6,280,829	5,575,555	5,363,654	4,913,876
Interest Income	151,486	229,387	333,759	762,877	648,176
Other	658,765	699,095	831,057	160,081	124,804
Total Revenues	\$ 82,697,770	\$ 78,154,925	\$ 69,651,170	\$ 63,753,980	\$ 61,160,850

Current Fund Revenues	For the Years Ended June 30, (percent of total current fund revenues)				
	2004	2003	2002	2001	2000
Student Revenues	37.5%	32.3%	28.2%	24.5%	23.4%
State Appropriations	22.2%	27.9%	34.1%	39.5%	41.2%
Local Appropriations	6.1%	7.0%	9.2%	9.8%	9.7%
Restricted Grants and Contracts	16.0%	16.1%	16.1%	14.2%	14.4%
State Grants and Contracts	8.6%	7.4%	2.5%	1.8%	1.6%
Other Grants and Contracts	0.3%	0.1%	0.1%	0.1%	0.3%
Sales and Service of Educational Depts.	0.1%	0.1%	0.1%	0.1%	0.1%
Auxiliary Enterprises	8.3%	8.0%	8.0%	8.4%	8.0%
Interest Income	0.2%	0.3%	0.5%	1.2%	1.1%
Other	0.7%	0.8%	1.2%	0.4%	0.2%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

* Reconciliation to Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues		\$ 48,066,918
Internal service activities	266,575	
Scholarship allowances	10,707,374	
Book allowances	1,093,985	
Capital fees	(1,132,000)	
Noncurrent fund revenues	-	10,935,934
Net nonoperating revenues		24,112,357
Interest paid on capital related debt	407,341	
Interest earned on debt service funds	(104,780)	
Local appropriations transfer for repairs and maintenance	(720,000)	(417,439)
Current fund revenues		<u>\$ 82,697,770</u>

- CONTINUED -

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF CURRENT FUNDS REVENUES BY SOURCE
Last 10 fiscal years
- CONTINUED -

Current Fund Revenues	For the Years Ended June 30,				
	1999	1998	1997	1996	1995
Student Revenues	\$ 13,353,230	\$ 12,005,474	\$ 11,808,954	\$ 10,097,019	\$ 8,992,600
State Appropriations	21,359,956	20,419,062	18,944,560	17,574,596	16,731,812
Local Appropriations	5,791,453	4,715,775	4,469,686	4,411,407	3,614,352
Restricted Grants and Contracts	8,547,438	7,733,674	7,498,325	7,717,572	6,887,856
State Grants and Contracts	422,828	1,764,888	1,319,091	139,622	113,135
Other Grants and Contracts	1,245,464	1,378,127	293,995	176,262	223,369
Sales and Service of Educational Depts.	73,431	61,863	61,236	50,727	55,702
Auxiliary Enterprises	4,907,741	4,414,280	4,354,668	4,064,923	3,666,996
Interest Income	462,628	340,746	292,094	351,658	331,889
Other	84,663	71,633	71,659	81,746	59,009
Total Revenues	\$ 56,248,832	\$ 52,905,522	\$ 49,114,268	\$ 44,665,532	\$ 40,676,720

Current Fund Revenues	For the Years Ended June 30, (percent of total current fund revenues)				
	1999	1998	1997	1996	1995
Student Revenues	23.7%	22.7%	24.0%	22.6%	22.1%
State Appropriations	38.0%	38.6%	38.6%	39.3%	41.1%
Local Appropriations	10.3%	8.9%	9.1%	9.9%	8.9%
Restricted Grants and Contracts	15.2%	14.6%	15.3%	17.3%	16.9%
State Grants and Contracts	0.8%	3.3%	2.7%	0.3%	0.3%
Other Grants and Contracts	2.2%	2.6%	0.6%	0.4%	0.5%
Sales and Service of Educational Depts.	0.1%	0.1%	0.1%	0.1%	0.1%
Auxiliary Enterprises	8.7%	8.3%	8.9%	9.1%	9.0%
Interest Income	0.8%	0.6%	0.6%	0.8%	0.8%
Other	0.2%	0.3%	0.1%	0.2%	0.3%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Source : Annual Financial Statements and Integrated Postsecondary Education Data System (IPEDS) Finance Survey for years presented.
Note: Current Funds include the General Fund, Auxiliary Enterprises, and the Restricted Fund

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF CURRENT FUNDS EXPENDITURES
AND TRANSFERS BY FUNCTION
Last 10 fiscal years

For the Years Ended June 30,					
Current Fund Expenditures*	2004	2003	2002	2001	2000
Instructional	\$ 23,560,814	\$ 22,565,225	\$ 22,736,428	\$ 24,801,832	\$ 22,653,039
Academic Support	7,841,368	9,039,590	7,549,447	5,531,244	5,786,956
Student Support	8,575,499	7,744,794	7,638,915	6,100,409	6,122,680
Institutional Support	7,020,748	7,573,401	7,077,831	6,472,596	6,243,256
Plant Operations and Maintenance	4,915,679	4,400,247	4,442,731	4,598,487	4,074,358
Scholarships and Fellowships	19,406,507	16,977,637	10,469,776	7,687,172	11,878,465
Auxiliary Enterprises	5,943,317	5,489,341	4,854,657	4,760,756	4,262,873
Total Current Fund Expenditures	77,263,932	73,790,235	64,769,785	59,952,496	61,021,627
Transfers					
Current Fund Mandatory Transfer	67,554	67,554	138,015	70,461	109,801
Current Fund Nonmandatory Transfer	5,140,713	4,024,074	3,851,411	3,532,705	5,032,469
Total Current Fund Transfers	5,208,267	4,091,628	3,989,426	3,603,166	5,142,270
Total Current Fund Expenditures and Transfers	\$ 82,472,199	\$ 77,881,863	\$ 68,759,211	\$ 63,555,662	\$ 66,163,897

For the Years Ended June 30,					
(percent of total current fund expenditures)					
Current Fund Expenditures	2004	2003	2002	2001	2000
Instructional	28.6%	29.0%	33.1%	39.0%	34.2%
Academic Support	9.5%	11.6%	11.0%	8.7%	8.7%
Student Support	10.4%	9.9%	11.1%	9.6%	9.3%
Institutional Support	8.5%	9.7%	10.3%	10.2%	9.4%
Plant Operations and Maintenance	6.0%	5.6%	6.5%	7.2%	6.2%
Scholarships and Fellowships	23.5%	21.8%	15.2%	12.1%	18.0%
Auxiliary Enterprises	7.2%	7.1%	7.0%	7.5%	6.4%
Total Current Fund Expenditures	93.7%	94.7%	94.2%	94.3%	92.2%
Transfers					
Current Fund Mandatory Transfer	0.1%	0.1%	0.2%	0.1%	0.2%
Current Fund Nonmandatory Transfer	6.2%	5.2%	5.6%	5.6%	7.6%
Total Current Fund Transfers	6.3%	5.3%	5.8%	5.7%	7.8%
Total Current Fund Expenditures and Transfers	100.0%	100.0%	100.0%	100.0%	100.0%

*Reconciliation to Statement of Revenues, Expenses and Changes in Net Assets

Operating expenses		\$ 70,672,220
Internal service activities	266,575	
Scholarship allowances	10,707,374	
Book allowances	1,093,985	
Capital expenses	1,356,125	
Principal payments on debt	417,916	
Noncurrent Fund Expenses	(2,041,996)	11,799,979
		<u>\$ 82,472,199</u>

- CONTINUED -

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF CURRENT FUNDS EXPENDITURES
AND TRANSFERS BY FUNCTION
Last 10 fiscal years
- CONTINUED -

	For the Years Ended June 30,				
	1999	1998	1997	1996	1995
Current Fund Expenditures					
Instructional	\$ 21,700,642	\$ 20,073,964	\$ 18,502,271	\$ 17,202,315	\$ 16,085,561
Academic Support	4,476,759	5,753,885	4,561,184	3,073,135	3,205,050
Student Support	5,327,299	5,277,882	5,234,078	3,945,662	2,871,350
Institutional Support	5,379,320	5,021,010	4,755,498	6,100,829	6,306,166
Plant Operations and Maintenance	4,090,881	3,480,349	3,270,535	2,893,232	2,763,651
Scholarships and Fellowships	11,388,072	10,108,686	10,072,584	5,745,482	4,868,615
Auxiliary Enterprises	4,217,162	3,724,201	3,652,376	3,248,988	3,318,458
Total Current Fund Expenditures	56,580,135	53,439,977	50,048,526	42,209,643	39,418,851
Transfers					
Current Fund Mandatory Transfer	109,801	39,340	88,315	28,902	118,153
Current Fund Nonmandatory Transfer	4,029,480	3,273,597	2,530,326	2,190,961	1,138,527
Total Current Fund Transfers	4,139,281	3,312,937	2,618,641	2,219,863	1,256,680
Total Current Fund Expenditures and Transfers	\$ 60,719,416	\$ 56,752,914	\$ 52,667,167	\$ 44,429,506	\$ 40,675,531

	For the Years Ended June 30, (percent of total current fund expenditures)				
	1999	1998	1997	1996	1995
Current Fund Expenditures					
Instructional	35.7%	35.4%	35.1%	38.7%	39.5%
Academic Support	7.4%	10.1%	8.7%	6.9%	7.9%
Student Support	8.8%	9.3%	9.9%	8.9%	7.1%
Institutional Support	8.9%	8.8%	9.0%	13.7%	15.5%
Plant Operations and Maintenance	6.7%	6.1%	6.2%	6.5%	6.8%
Scholarships and Fellowships	18.8%	17.8%	19.1%	12.9%	12.0%
Auxiliary Enterprises	6.9%	6.6%	7.0%	7.4%	8.1%
Total Current Fund Expenditures	93.2%	94.2%	95.0%	95.0%	96.9%
Transfers					
Current Fund Mandatory Transfer	0.2%	0.1%	0.2%	0.1%	0.3%
Current Fund Nonmandatory Transfer	6.6%	5.8%	4.8%	4.9%	2.8%
Total Current Fund Transfers	6.8%	5.8%	5.0%	5.0%	3.1%
Total Current Fund Expenditures and Transfers	100.0%	100.0%	100.0%	100.0%	100.0%

Source : Annual Financial Statements and Integrated Postsecondary Education Data System (IPEDS) Finance Survey for years presented.

Note: Current Funds include the General Fund, Auxiliary Enterprises, and the Restricted Fund

MIDLANDS TECHNICAL COLLEGE
COMPARISON OF CURRENT UNRESTRICTED REVENUES AND EXPENDITURES
PER FULL-TIME EQUIVALENT STUDENT
Last 10 fiscal years

	For the Years Ended June 30,				
	2004	2003	2002	2001	2000
Current Unrestricted Revenues:					
Student Revenue	\$ 31,023,001	\$ 25,214,844	\$ 19,662,268	\$ 15,650,718	\$ 14,336,688
State Appropriations	17,673,711	20,349,559	23,279,204	24,465,231	23,372,158
Local Appropriations	5,038,676	5,484,775	6,418,590	6,243,881	5,930,834
Sales and Service of Educational Depts.	55,172	61,154	66,350	74,735	62,427
State and Other Grants and Contracts	-	-	-	52,892	56,044
Interest Income	151,486	229,387	333,759	762,877	648,177
Other	658,765	699,095	831,057	160,081	64,675
Auxiliary Enterprises	6,885,841	6,280,829	5,575,555	5,363,654	4,913,876
Total Revenue	<u>\$ 61,486,652</u>	<u>\$ 58,319,643</u>	<u>\$ 56,166,783</u>	<u>\$ 52,774,069</u>	<u>\$ 49,384,879</u>

	For the Years Ended June 30,				
	2004	2003	2002	2001	2000
Current Unrestricted Expenditures:					
Instructional	\$ 23,109,761	\$ 22,266,416	\$ 21,915,754	\$ 23,476,383	\$ 21,243,359
Academic Support/Scholarships & Fellowships	8,595,998	8,848,589	7,578,281	5,436,774	4,657,794
Student Support	6,707,242	6,062,456	5,799,299	4,901,888	4,481,727
Institutional Support	11,989,084	10,979,531	11,093,432	5,798,298	5,262,142
Plant Operations and Maintenance	4,915,678	4,400,247	4,033,402	4,598,487	4,074,358
Auxiliary Enterprises	5,943,318	5,489,341	4,854,657	4,760,756	4,262,873
Total Current Fund Expenditures	<u>\$ 61,261,081</u>	<u>\$ 58,046,580</u>	<u>\$ 55,274,825</u>	<u>\$ 48,972,586</u>	<u>\$ 43,982,253</u>

	For the Years Ended June 30,				
	2004	2003	2002	2001	2000
Annual Full-time Equivalent Enrollments:					
Credit	8,197	6,957	6,388	6,118	6,844
Continuing Education	658	712	744	772	837
Total Enrollment	<u>8,855</u>	<u>7,669</u>	<u>7,132</u>	<u>6,890</u>	<u>7,681</u>

	For the Years Ended June 30,				
	2004	2003	2002	2001	2000
Revenue per Full-time Equiv. Student:	\$ 6,944	\$ 7,605	\$ 7,875	\$ 7,659	\$ 6,429
Expenditures per Full-time Equiv. Student:	\$ 6,918	\$ 7,569	\$ 7,750	\$ 7,108	\$ 5,726

- CONTINUED -

MIDLANDS TECHNICAL COLLEGE
COMPARISON OF CURRENT UNRESTRICTED REVENUES AND EXPENDITURES
PER FULL-TIME EQUIVALENT STUDENT
Last 10 fiscal years
- CONTINUED -

	For the Years Ended June 30,				
	1999	1998	1997	1996	1995
Current Unrestricted Revenues:					
Student Revenue	\$ 13,353,230	\$ 12,005,474	\$ 11,808,954	\$ 10,097,019	\$ 8,992,600
State Appropriations	21,359,956	20,419,062	18,944,560	17,574,596	16,731,812
Local Appropriations	5,791,453	4,715,775	4,469,686	4,411,407	3,614,352
Sales and Service of Educational Depts.	73,431	61,863	61,236	50,727	55,702
State and Other Grants and Contracts	61,018	65,005	-	-	-
Interest Income	462,628	340,746	292,094	351,658	331,889
Other	84,663	71,633	71,659	81,746	59,009
Auxiliary Enterprises	4,907,741	4,414,280	4,354,668	4,064,923	3,666,996
Total Revenue	<u>\$ 46,094,120</u>	<u>\$ 42,093,838</u>	<u>\$ 40,002,857</u>	<u>\$ 36,632,076</u>	<u>\$ 33,452,360</u>

	For the Years Ended June 30,				
	1999	1998	1997	1996	1995
Current Unrestricted Expenditures:					
Instructional	\$ 20,171,131	\$ 18,728,799	\$ 17,969,485	\$ 16,853,155	\$ 15,973,234
Academic Support/Scholarships & Fellowships	4,379,684	4,577,412	4,151,646	3,116,820	3,205,050
Student Support	4,085,840	3,940,387	3,358,768	2,677,151	1,977,570
Institutional Support	4,815,477	4,275,051	4,747,163	4,999,570	5,016,130
Plant Operations and Maintenance	4,090,881	3,480,349	3,270,535	3,336,866	2,763,651
Auxiliary Enterprises	4,217,162	3,724,201	3,652,376	3,248,988	3,318,458
Total Current Fund Expenditures	<u>\$ 41,760,175</u>	<u>\$ 38,726,199</u>	<u>\$ 37,149,973</u>	<u>\$ 34,232,550</u>	<u>\$ 32,254,093</u>

	For the Years Ended June 30,				
	1999	1998	1997	1996	1995
Annual Full-time Equivalent Enrollments:					
Credit	* 6,953	6,652	6,898	7,012	6,755
Continuing Education	826	815	760	792	883
Total Enrollment	<u>7,779</u>	<u>7,467</u>	<u>7,658</u>	<u>7,804</u>	<u>7,638</u>

	For the Years Ended June 30,				
	1999	1998	1997	1996	1995
Revenue per Full-time Equiv. Student:	\$ 5,925	\$ 5,637	\$ 5,224	\$ 4,694	\$ 4,380
Expenditures per Full-time Equiv. Student:	\$ 5,368	\$ 5,186	\$ 4,851	\$ 4,386	\$ 4,223

Sources: Annual Financial Statements, Integrated Postsecondary Education Data System (IPEDS) Finance Survey and
Formula Computation Allocation Worksheet provided by System office for years presented.
Note: Current Unrestricted Funds include the General Fund and Auxiliary Enterprises

MIDLANDS TECHNICAL COLLEGE
SCHEDULE OF DEBT SERVICE AS A PERCENTAGE
OF CURRENT UNRESTRICTED REVENUES
Last 10 fiscal years

Fiscal Year Ending June 30,	Current Unrestricted Revenues	Debt Service	Percent
2004	\$ 61,486,652	\$ 757,703	1.23%
2003	\$ 58,319,643	\$ 288,144	0.49%
2002	\$ 56,166,783	\$ 880,911	1.57%
2001	\$ 52,774,069	\$ 1,057,280	2.00%
2000	\$ 49,387,879	\$ 991,736	2.01%
1999	\$ 46,094,120	\$ 599,776	1.30%
1998	\$ 42,093,838	\$ 531,194	1.26%
1997	\$ 40,002,857	\$ 583,000	1.46%
1996	\$ 36,632,076	\$ 1,094,504	2.99%
1995	\$ 33,452,360	\$ 850,230	2.54%

Source: Annual Financial Statements for years presented.

MIDLANDS TECHNICAL COLLEGE
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO
CURRENT FUND EXPENDITURES
Last 10 fiscal years
And Debt Margin Calculation

Fiscal Year	General Bonded Debt			Total Current Funds Expenditures	Percentage
	Principal	Interest	Total		
2003-04	\$ 355,000	\$ 402,703	\$ 757,703	\$ 77,263,932	0.98%
2002-03	\$ 215,000	\$ 5,590	\$ 220,590	\$ 73,790,235	0.30%
2001-02	\$ 375,000	\$ 440,211	\$ 815,211	\$ 64,769,784	1.26%
2000-01	\$ 360,000	\$ 460,688	\$ 820,688	\$ 59,952,496	1.37%
1999-00	\$ 330,000	\$ 479,737	\$ 809,737	\$ 61,021,627	1.33%
1998-99	\$ 300,000	\$ 498,063	\$ 798,063	\$ 56,580,135	1.41%
1997-98	\$ 165,000	\$ 254,088	\$ 419,088	\$ 53,439,977	0.78%
1996-97	\$ 155,000	\$ 264,888	\$ 419,888	\$ 50,048,526	0.84%
1995-96	\$ 145,000	\$ 275,038	\$ 420,038	\$ 42,209,643	1.00%
1994-95	\$ 185,000	\$ 239,990	\$ 424,990	\$ 39,418,851	1.08%

Source: Annual Financial Statements for years presented.

Debt Margin Calculation:

In compliance with Section 13 of Article X of the *South Carolina Constitution*,
State Institution Bonds for Midlands Technical College have the following margin:

Amount of tuition and fees collected during fiscal year ended 6/30/04	\$ 1,132,000
90 percent of above	1,018,800
2005 Annual Debt Service for State Institution Bonds	769,443
Margin	\$ 249,357

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OTHER STATISTICS



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MIDLANDS TECHNICAL COLLEGE

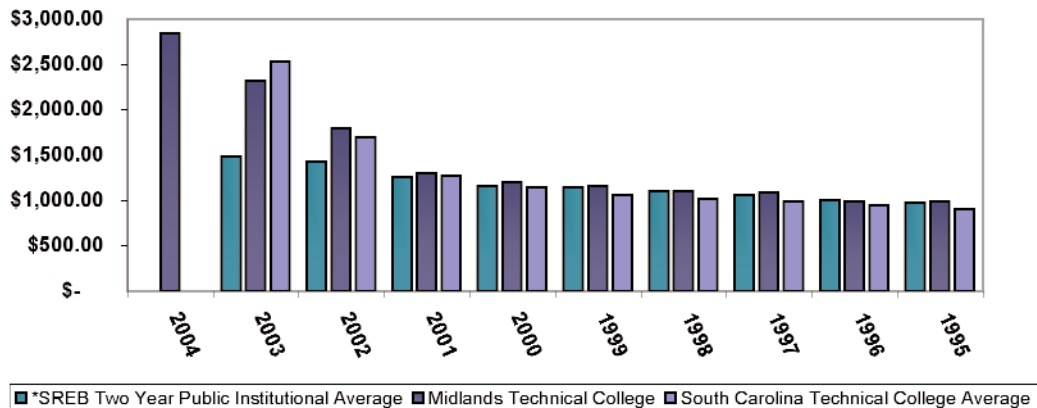
STUDENT TUITION AND FEES NATIONAL AND STATE-WIDE COMPARISON Last 10 Fiscal Years

Fiscal Year	Midlands Technical College		SREB* Two Year Public Institutions Average		South Carolina Technical College Average	
	Annual Cost	Percent Change	Annual Cost	Percent Change	Annual Cost	Percent Change
2003	\$ 2,321	28.9%	N/A	N/A	N/A	N/A
2002	\$ 1,800	38.9%	\$ 1,420	12.7%	\$ 1,692	33.0%
2001	\$ 1,296	8.0%	\$ 1,260	8.7%	\$ 1,271	11.0%
2000	\$ 1,200	4.2%	\$ 1,159	1.7%	\$ 1,145	7.7%
1999	\$ 1,152	4.7%	\$ 1,140	3.6%	\$ 1,063	4.4%
1998	\$ 1,100	1.9%	\$ 1,100	3.8%	\$ 1,018	3.7%
1997	\$ 1,080	9.1%	\$ 1,060	6.0%	\$ 982	4.2%
1996	\$ 990	0.0%	\$ 1,000	2.5%	\$ 942	4.3%
1995	\$ 990	0.0%	\$ 976	15.1%	\$ 903	4.6%
1994	\$ 990	0.0%	\$ 848	-5.8%	\$ 863	8.0%
1993	\$ 990	9.1%	\$ 900	14.2%	\$ 799	8.0%

NOTE: Annual cost is based on full-time enrollment for two semesters.

*SREB – Southern Regional Education Board

STUDENT TUITION AND FEES NATIONAL AND STATE-WIDE COMPARISON Last 10 Fiscal Years



MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT

Last 10 Fall Terms

Headcount

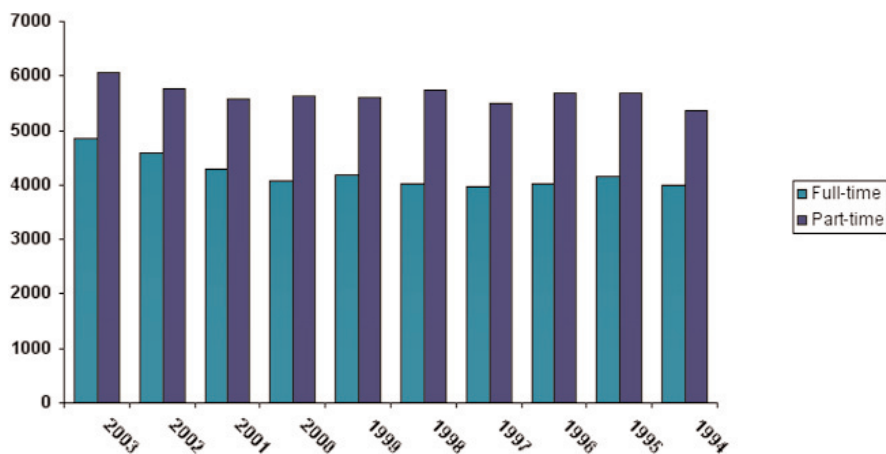
	<u>2003</u>		<u>2002</u>		<u>2001</u>		<u>2000</u>		<u>1999</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Full-time	4,859	44%	4,591	44%	4,283	43%	4,066	42%	4,196	43%
Part-time	<u>6,066</u>	<u>56%</u>	<u>5,756</u>	<u>56%</u>	<u>5,591</u>	<u>57%</u>	<u>5,636</u>	<u>58%</u>	<u>5,614</u>	<u>57%</u>
Total	<u>10,925</u>	<u>100%</u>	<u>10,347</u>	<u>100%</u>	<u>9,874</u>	<u>100%</u>	<u>9,702</u>	<u>100%</u>	<u>9,810</u>	<u>100%</u>
	<u>1998</u>		<u>1997</u>		<u>1996</u>		<u>1995</u>		<u>1994</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Full-time	4,028	41%	3,962	42%	4,029	41%	4,145	42%	3,992	43%
Part-time	<u>5,750</u>	<u>59%</u>	<u>5,506</u>	<u>58%</u>	<u>5,699</u>	<u>59%</u>	<u>5,689</u>	<u>58%</u>	<u>5,364</u>	<u>57%</u>
Total	<u>9,778</u>	<u>100%</u>	<u>9,468</u>	<u>100%</u>	<u>9,728</u>	<u>100%</u>	<u>9,834</u>	<u>100%</u>	<u>9,356</u>	<u>100%</u>
*FTE	<u>6,922</u>		<u>6,527</u>		<u>6,156</u>		<u>5,979</u>		<u>6,114</u>	
*FTE	<u>5,975</u>		<u>5,863</u>		<u>5,960</u>		<u>6,008</u>		<u>5,880</u>	

*Note: FTE (Full-time Equivalency) - Technical education program enrollment as expressed in full-time equivalency. The total number of credit hours is divided by 15 and calculated to the hundredth.

MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT, LAST TEN FALL TERMS

Head Count



Source: IPEDS Enrollment Reports for Midlands Technical College

MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT DEMOGRAPHICS

Last 10 Fall Terms

Historic Gender Demographics

	<u>2003</u>		<u>2002</u>		<u>2001</u>		<u>2000</u>		<u>1999</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Male	4,142	38%	4,090	40%	3,997	40%	4,037	42%	4,038	41%
Female	<u>6,783</u>	<u>62%</u>	<u>6,257</u>	<u>60%</u>	<u>5,877</u>	<u>60%</u>	<u>5,665</u>	<u>58%</u>	<u>5,772</u>	<u>59%</u>
Total	<u>10,925</u>	<u>100%</u>	<u>10,347</u>	<u>100%</u>	<u>9,874</u>	<u>100%</u>	<u>9,702</u>	<u>100%</u>	<u>9,810</u>	<u>100%</u>
	<u>1998</u>		<u>1997</u>		<u>1996</u>		<u>1995</u>		<u>1994</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Male	4,063	42%	3,738	39%	3,848	40%	3,941	40%	3,851	41%
Female	<u>5,715</u>	<u>58%</u>	<u>5,730</u>	<u>61%</u>	<u>5,880</u>	<u>60%</u>	<u>5,893</u>	<u>60%</u>	<u>5,505</u>	<u>59%</u>
Total	<u>9,778</u>	<u>100%</u>	<u>9,468</u>	<u>100%</u>	<u>9,728</u>	<u>100%</u>	<u>9,834</u>	<u>100%</u>	<u>9,356</u>	<u>100%</u>

Historic Ethnic Demographics

	<u>2003</u>		<u>2002</u>		<u>2001</u>		<u>2000</u>		<u>1999</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Black	3,879	36%	3,556	34%	3,168	32%	3,107	32%	3,205	33%
White	6,051	55%	5,583	54%	5,297	54%	5,429	56%	5,772	59%
Other	<u>995</u>	<u>9%</u>	<u>1,208</u>	<u>12%</u>	<u>1,409</u>	<u>14%</u>	<u>1,166</u>	<u>12%</u>	<u>833</u>	<u>8%</u>
Total	<u>10,925</u>	<u>100%</u>	<u>10,347</u>	<u>100%</u>	<u>9,874</u>	<u>100%</u>	<u>9,702</u>	<u>100%</u>	<u>9,810</u>	<u>100%</u>
	<u>1998</u>		<u>1997</u>		<u>1996</u>		<u>1995</u>		<u>1994</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Black	3,034	31%	2,986	32%	3,073	32%	3,119	32%	2,836	30%
White	5,897	60%	5,614	59%	6,083	62%	6,250	63%	6,128	66%
Other	<u>847</u>	<u>9%</u>	<u>868</u>	<u>9%</u>	<u>572</u>	<u>6%</u>	<u>465</u>	<u>5%</u>	<u>392</u>	<u>4%</u>
Total	<u>9,778</u>	<u>100%</u>	<u>9,468</u>	<u>100%</u>	<u>9,728</u>	<u>100%</u>	<u>9,834</u>	<u>100%</u>	<u>9,356</u>	<u>100%</u>

Source: IPEDS Enrollment Reports for Midlands Technical College

MIDLANDS TECHNICAL COLLEGE

CREDIT STUDENT ENROLLMENT PERCENTAGES BY COUNTY

Last 10 Fall Terms

Historic County of Residence

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Richland	47%	47%	46%	49%	50%	50%	51%	52%	55%	57%
Lexington	35%	35%	34%	33%	33%	34%	34%	34%	34%	34%
Fairfield	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%
Other	16%	16%	18%	16%	15%	14%	13%	12%	10%	8%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Historic Campus of Attendance*

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Airport	50%	50%	48%	48%	48%	48%	50%	49%	49%	51%
Beltline	42%	43%	47%	48%	48%	47%	47%	48%	48%	47%
Other	8%	7%	5%	4%	4%	5%	3%	3%	3%	2%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Historic Average Age

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Average Age	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>26</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>28</u>	<u>28</u>

* NOTE: Does not include Harbison Campus, which offers continuing education courses only.

Source: Midlands Technical College Student Information System database

MIDLANDS TECHNICAL COLLEGE

ECONOMIC INDICATORS FOR THE COLLEGE SERVICE AREA

Per Capita Personal Income*

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Fairfield	\$ 21,078	\$ 21,878	\$ 21,424	\$ 20,458	\$ 19,348
Lexington	\$ 28,981	\$ 27,645	\$ 27,053	\$ 25,933	\$ 25,155
Richland	\$ 28,318	\$ 29,211	\$ 28,206	\$ 26,911	\$ 26,930
South Carolina	\$ 25,502	\$ 24,840	\$ 24,000	\$ 22,906	\$ 22,115

* Most recent available data

Preliminary Estimates of the Population of Counties in Midlands Technical College Service Area

	<u>2020</u>	<u>2015</u>	<u>2010</u>	<u>2005**</u>	<u>2000</u>	<u>1999</u>
Fairfield	26,520	25,770	25,010	24,260	23,454	22,573
Lexington	291,600	272,090	252,580	233,060	216,014	208,972
Richland	373,370	<u>359,520</u>	<u>345,660</u>	<u>331,810</u>	<u>320,677</u>	<u>307,279</u>
	<u>691,490</u>	<u>657,380</u>	<u>623,250</u>	<u>589,130</u>	<u>560,145</u>	<u>538,824</u>
South Carolina	<u>4,901,810</u>	<u>4,674,050</u>	<u>4,446,240</u>	<u>4,218,460</u>	<u>4,012,012</u>	<u>3,885,736</u>

** Projected Population Estimates for July 1st of that year

Annual Average Civilian Labor Force, Employment and Unemployment in South Carolina by County in the Midlands Technical College Service Area (as of 2000)*

	Total in Civilian <u>Labor Force</u>	Total <u>Employed</u>	Total <u>Unemployed</u>	Percent <u>Unemployed</u>
Fairfield	10,300	9,000	1,300	12.6%
Lexington	117,060	113,800	3,260	2.8%
Richland	155,340	149,970	5,370	3.5%
South Carolina	1,949,200	1,843,400	105,800	5.4%

* Most recent available data

Sources: South Carolina Employment Security Commission, Labor Market Information Division
 2004 South Carolina Statistical Abstract, published by the South Carolina State Budget and Control Board
 US Department of Commerce, Bureau of Economic Analysis

MIDLANDS TECHNICAL COLLEGE

Degree Statistics

Associate Degree, Diploma and Certificate Programs:

Arts and Sciences
 Business and Information Systems Technology
 Industrial and Engineering Technologies and Engineering Transfer
 Nursing and Health Sciences
 Career Development

Degrees Awarded:	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
Associate Degree	827	831	796	841	800
Diploma	110	115	101	166	131
Certificate	<u>675</u>	<u>594</u>	<u>594</u>	<u>456</u>	<u>421</u>
Total Awarded	<u>1,612</u>	<u>1,540</u>	<u>1,491</u>	<u>1,463</u>	<u>1,352</u>

Continuing Education Offices:

Center for Work Force Development
 Center for Information Management
 Center for Business and Professional Development
 Center for Career and Personal Development
 Center for Operations and Special Programs

Continuing Education/Community Service/Federal Programs Contact Hours for the Last Five Years:

	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
Continuing Education	397,920	399,490	402,700	401,060	402,860
Community Services	0	0	0	0	0
Federal Programs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>397,290</u>	<u>399,490</u>	<u>402,700</u>	<u>401,060</u>	<u>402,860</u>

* Tech Dept. of Field Audit & Finance

Sources: IPEDS Completion Reports; State Board for Technical and Comprehensive Education.

OTHER INFORMATION



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College Accreditation as of June 30, 2004

Midlands Technical College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (1866 Southern Lane, Decatur, Georgia 30033-4097; telephone number 404-679-4501) to award associate degrees, diplomas and certificates.

Program Approval and Accreditations

The Legal Assistant/Paralegal and Court Reporting programs are approved respectively by:

- American Bar Association
- National Court Reporters Association

Specific programs are accredited by:

- American Society of Health-System Pharmacists
- Association of Collegiate Business Schools and Programs
- Commission on Dental Accreditation of the American Dental Association
- Commission on Accreditation in Physical Therapy Education
- Council on Accreditation of Allied Health Education Programs
 - Council on Education of the American Health Information Management Association
 - Committee on Accreditation for Respiratory Care
 - Accreditation Review Committee on Education in Surgical Technology
 - American Association of Medical Assistants
- National Council for Standards in Human Services Education
- Joint Review Committee on Educational Programs in Nuclear Medicine Technology
- Joint Review Committee on Education in Radiologic Technology
- National Accrediting Agency for Clinical Laboratory Sciences
- National Automotive Technicians Education Foundation
- National League for Nursing Accrediting Commission
- Printing Industries of America
- South Carolina Board of Nursing
- Technology Accreditation Commission of the Accreditation Board for Engineering and Technology; Architectural, Civil and Electronics Engineering Technology

Statement of Nondiscrimination

Midlands Technical College does not discriminate in admissions or employment on the basis of race, sex, national origin or ethnic group, color, age, religion, disability or military service in its administration of educational policies, programs and services; its admissions policies; scholarship and loan programs; or employment. In compliance with Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1992, Midlands Technical College offers access and equal opportunity in its admissions policies, academic programs and services, and employment of disabled individuals in that no otherwise qualified person will be denied these provisions on the basis of a disability. Dr. Ronald Rhames has been designated to coordinate compliance with the nondiscrimination requirements contained in section 35.107 of the Department of Justice regulations, section 504 and Title IX regulation. Information concerning the provisions of the Americans with Disabilities Act and the rights and privileges thereunder are available from Dr. Rhames in his position as ADA/EEOC coordinator. He can be reached at: Midlands Technical College, P.O. Box 2408, Columbia, SC 29202, (803) 822-3261.

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